

# FATAWA MORTGAGE 2008-2012

## Subject: conventional and Islamic finance of home purchase

From: Samy, Islam on line

Sent: Thursday, January 03, 2008

**Question: Taking a Loan to Buy a House**

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh,

I am not able to buy a home by the money which I have. Can I take loan from bank to make home. Thanks and Jazaka Allahu Khairan.

Jazakum Allahu Khairan for your constant help

Yours, Sami

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Haneef

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Loans with interest are Haram whether for houses or for any other reasons. Of course, we have the rule of necessity that may relax a prohibition. I don't see in the question any discussion of any necessity or the place where residence is been purchased. UAE has several Islamic banks and they all provide for Shari'ah compliant home purchase financing, a fact that make it not necessary in UAE to use interest finance!

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Naim

Sent: Sunday, January 27, 2008

**Question: European Muslims, Buying a house**

Salaam Alaykum I would like to know if it is permissible for us, living in Europe to buy a house?

Do we have to rent a house and pay each month a price, of buy it with interest?

Naim

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Naim

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Of course interest is prohibited and any interest-based loan is also prohibited in our Shari'ah.

However, when a large number of Muslims live in a situation where a prohibition that does not deal with morality or avoiding shame, is certain to cause a great difficulty and awesome inconvenience, and the Islamic solution is not available the rule of prohibition is relaxed. Religion was not sent to create difficulty; it is rather sent to remove it. Consequently for Muslim families that live in the West, Europe, Americas, Australia and the like, if Islamic finance is not available and they need to buy housing, as there is a great difference between buying and renting from both financial and social points of view, they may go for interest-based finance for buying the needed residence only and of course in as much as it is needed. This has been studied by several Islamic scholarly forums and this is the opinion of the majority of Shari'ah scholars.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Awil

Sent: Monday, February 11, 2008

**Question: Home Financing**

Asalamu Alaykum,

I hope when this letter reaches you and your family is in good health. I bought a house couple years back with conventional mortgage; before I buy it, I have researched about this issue I have asked many scholars some they say there is fatwa that you could buy house in America with the conventional mortgage, and some say it's totally Haram if it's involved with interest so they say your option is the Shari'ah way like (Lariba or Guidance). It's been confusing for my wife and I like the way they calculate things like Ijarah and their profits. I would really appreciate it if you could shed some light on this matter and please tell me that I am doing something Haram and I should consult immediately with (Lariba or Guidance) or that okay with my conventional mortgage.

I am looking forward for your response and again Jazaka Allahu for all the great information and knowledge on your website.

Thanks, Awil

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Awil

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Whenever Islamic finance is available conventional one becomes non-permissible. That is the rule because the Fatwa on accepting conventional finance is founded on the ground of two points: 1) there is need for house financing for Muslims in America; and, 2) there are Islamically permissible approaches. For already existing interest-based contracts, one has to make ones best to clear oneself from them as soon as one can.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam  
Prof. Dr. Monzer Kahf

---

From: Ahmed

Sent: Wednesday, March 19, 2008

**Question: Buying a house on Islamic finance**

Al Salam Alikom,

My name is Ahmed, I am from USA.

I just bought a house under Islamic law by guidance financial. They offer Islamic law mortgage (co-ownership program) I would like to ask you if this mortgage still Riba (even though I am dealing with Islamic institution) or it's Halal.

Salam 3alikom

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Ahmed

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Yes, Dear Brother, this contract is permissible in Shari'ah.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Nasir

Sent: Thursday, March 19, 2009

Location: Canada

**Question: Lessee responsibility of Mortgage**

Dear Dr. Monzer,

Assalamu Alaykum wa Rahmatullah wa Barakatuh,

Dear brothers: Living a west, should a person who rents a residential place be concerned about the possibility of an existing mortgage on the property (which translates into Riba)? Is the renter obliged to investigate this such thing before renting? Basically, can one lives and prays in a place that is purchased via mortgage? Asalum -al-Alaykum

Jazakum Allahu Khairan for your constant help

Yours,

Nasir

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Nasir

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

The renter is not responsible about the action of the owner of the house. This means that you do not ask the owner how did he get the house and what loans are on him when you rent. This is not your responsibility and none of your business.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Ahmed

Sent: Friday, March 21, 2008

**Question: Islamic Finance is expensive**

Salam Alikom brother,

I really appreciate your time to answer my question, and I really take your Fatwa into consideration, because I read a lot of your Fatawa before. I have one more question the Islamic mortgage that I am dealing with now charged me over my budget.

Regular mortgage would be around \$1250 to 1300 a month, but the Islamic mortgage charges me \$1722 a month. It's really hard because I have to do over time now to cover this payment.

Should I consider refinance with regular mortgage or stay with Islamic mortgage?

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Ahmed

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I suppose Islamic home financing here in America must be competitive with conventional finance. If it is not then we are comparing eggs and apples!

I suggest that you must first try the company you are with for a refinance (could it be a matter of just changing rates overtime between the date of your contract and the present rates?), and if you failed, then it seems to me that such a big difference is exploitative and it justifies considering the "Islamic finance" as not available. Because its availability is of course considered within a reasonable range of competitiveness with the market rate.

Wa Allahu A'lam

Wa Al Hamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Syed

Sent: Tuesday, April 01, 2008

**Question: House finance**

Assalaamu 'Alaykum Dr. Kahf,

I need advice on a situation I am currently in. I am currently a home owner which I bought on cash, Alhamdulillah. Now I want to buy another home closer to a new Islamic School that my children go to. I don't want to sell my current house but want to lease it. Now the new home builder is offering me incentives up to \$20,000 if I bought the house on cash or use their

preferred loan vendor. I want to go with Islamic Financing but I will not get any incentives if I do so. As I can see it, I have the following options.

1. Sell my old home and buy the new home (which I am hesitant to do so)
2. Close the home with the builder's preferred vendor and then refinance with an Islamic Bank. I might end up having to pay at least one mortgage payment (with interest) to the builder's preferred bank before I refinance (since it takes about 4-6 weeks for the home to be registered with the city)
3. Forego the incentives and close with Islamic Financing.
4. Cash out my old home to buy the new home on cash (might not get enough money and the process is a little complicated).

Please advise on what is my best option that fits under the umbrella of Shari'ah. May Allah reward you.

Jazaka Allahu Khairan, Wassalam,

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Syed

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

It seems that the fourth solution may be the best, is it any longer than normal refinance and all Islamic finance companies are equipped to do it in Shari'ah compliant way. If this is not feasible within the time constraint you will have to choose the least among all "wrong" solutions, this may be No. 2 unless it is more costly! If you are changing because of the school facility this may InShaAllah covered by the Fatwa of necessity that mentions such reasons for buying with conventional finance. My understanding of this Fatwa includes comparing prices and other facilities in the two contracts so that if the Islamic contract does not give me similar facilities or gives them at a higher cost it is considered as not available.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Samy, Islam on line

Sent: Sunday, April 06, 2008

**Question: Taking a Bank Loan to Buy a House**

Al Salam Alaykum wa Rahmatu Allahi wa Barakatuh I would like to ask an important question for us who are living in Europe. Is it allowed for us to take a loan from a bank to buy a house for living? Actually we heard many different answers from many Islamic sides. There are some who had given permission just to buy house for living, there are some who did not give permission for that and there are some who had given permission according to the case of the person who asked. So, I would like to specify my situation, I am a Norwegian citizen with a Palestinian background. I am working as a bus driver. I earn a good income to pay the rent of the house, another invoices and it can be some extra money to the next month. Reasons which push me to think to buy a house are, 1- We know the all here in Norway that they who hire out their

houses do that just for a definite period. It can be one, two or some years, and this period actually is short, and exactly time which a person needs to get used to live there. It means that they who rent the place where they living from other must move them every a definite period, and like this situation is not easy (to move or to find another house), and it can do the people not stability and not safely in their life. I know some people who had been become a psychical because of that. 2- To rent a house here in Norway is a quite expensive. When we buy a house, we pay for our houses, and it means that we don't lose money through a paying rent house to other who rent out their houses to us. Also, in the case of it is allow doing that, what are the circumstances which give this permission to the person to do that? I hope to hear an answer from you as soon as possible, and to be my question a useful for the all. Regards, Raed.

Jazakum Allahu Khairan for your constant help

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Raed

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

It's been the opinion of both the Fatwa Council in Europe and the second International Fiqh Conference (1999) in America that Muslims who live in the West and need housing may buy a residence through conventional interest-based mortgage provided Islamic finance is not available. I suppose Islamic house finance is not available in Norway. If this is correct then buying through conventional banks should be permissible because the Shari'ah is send to make things better not worse as long as we do the best under the circumstances.

I know, as you very well do too, there is another view that takes the difficult side, but it is of course your own heart that you must consult.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Amir

Sent: Saturday, April 12, 2008

**Question: conventional mortgage use**

Assalaamu Alaykum,

I would like your opinion on a matter regarding the use of a conventional mortgage in the setting of an existing loan. I am a married resident physician at the University of Pennsylvania and have approximately \$30,000 of outstanding student loan debt (from medical school) that I am paying off in monthly installments. My wife and I have thus far been renting an apartment and we're currently looking for a different place given that our lease expires in several months. Philadelphia in general is a relatively expensive place to rent an apartment (in a safe part of town) and given this we have thought that instead of continuing to rent an apartment, at a cost of approximately \$32,000/year, we could instead purchase a condominium using a conventional mortgage (there are not any viable Islamic financing alternatives in this area that I am aware of) and then in two years, when my residency training ends and we move from

Philadelphia, we could sell the property and thus recoup most, if not all, of our original purchasing expenses. Then we could use the money saved from not renting, perhaps as much as >\$20,000, to pay off the interest-bearing student loan debt that I have.

I am confused as to whether this would be permissible because although a conventional mortgage is being used, the savings of doing so versus rent would reduce the amount of interest that I have to pay on the student loan debt; however on the other hand would doing so be an example of "two wrongs do not make a right"?

Thank you in advance for your assistance.

Jazaka Allahu Khairan, Amir

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Amir

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

When you have an interest loan outstanding you really should give priority, reasonably, to pay it off as soon as you can. Reducing the amount of interest being paid is also a valid objective.

If you think that you made your math right and you will certainly be better off buying than continue renting, what I suggest is to consult the few Islamic finance companies/entities that provide Islamic finance in America (I think they should be licensed in Pennsylvania), and see if you can get Shari'ah compliant contract from one of them. I normally do not give names but you may check on the internet.

If you could not find Islamic finance and you still believe that buying is better for you, you may then go for conventional according to the Fatwa of the Second International Conference of Fiqh in North America that was held in fall 1999.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Abdulla

Sent: Friday, April 17, 2009

Location: Canada

**Question: Permissibility of Mortgage in Canada**

Assalamo Alikom Wa Rahmatu Allahi Wa Barakatuh.

My name is Abdullah I came here with my family from 10 months I have 3 kids ( 1 girl 5 years and twins 7 months ) we live in rental town house with monthly rent 1350 \$ and the hydro cost me around 200 \$ so the total is 1550 \$,, cause we were looking for big place as my mother in law and father in law live here with us from beginning to help my wife in caring of the twins and when they will travel they will come back or my mother will do as we need always help for the kids as my wife will search for work to help in the income ....I worked in Wal-Mart night shift from 6 months... and I feel I wasting all my money in the rent and all my friends advise me to save this money for my kids with buying house specially that the prices is good these

months...so I decide to bring money from my back country as 5 % down payment and take mortgage but I am afraid if I take the mortgage this will be "Reba" or the variable interest not consider that ...so my friends advise me to send you my case in details and ask you is it halal in Canada to do that or no and if not , can you show me Halal way to take a house without go to Reba ?...

So please help me in that and appreciating your time.

Jazaka Allahu Khayran

Abdalla

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Abdalla

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

In Canada there are several home finance providers that abide by the Shari'ah, please first check on them and do your homework. If their conditions cannot be met by you then most likely other banks may not also give you finance. But if after exhausting your chances with Islamic providers, then for your case it is permissible to resort to conventional banks because the conditions of exception seem to apply to your case.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

-----  
From: Salim

Sent: Monday, May 26, 2008

**Question: Taking a loan to build a house**

In India no Islamic Finance available. How to finance my house construction without finance? May I take interest based finance for a short time & repay at the earliest by making some other arrangements like selling some other property or by giving the same under construction house on lease / on heavy deposit sufficient enough to pay the loan amount. The need is genuine. Please advise me.

Thanking you,

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Salim

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I know that the Muslim community in India is large and has much wealth in it. It is the collective obligation of the Muslim community in India; you are included, to create suitable institutions of finance in compliance with the Shari'ah. I can't say that Muslims in India may resort to interest-based borrowing for their financial needs. Sorry.



Wa Allahu A'lam  
Wa Alhamdu Lillahi Rabb al Alamin  
Wassalam  
Prof. Dr. Monzer Kahf

---

From: Samy, Islam on line  
Sent: Tuesday, June 24, 2008

**Question: Taking Interest-based Loan to Buy a House**

Dear Dr. Monzer,

Assalamu Alaykum wa Rahmatu Allahi 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 brother in Islam Al Salam Alaykum I am a Swiss Muslim live in Switzerland. I live in a rented house for around 10 years; this house has 2 floors, 2 families live in this house each floor one family. The owner of the house wants to sell the house to one of these 2 families (my family or other family). The owner propose us first as we are living in this house much longer than the other family. We want to buy house because our children grew up and go to school in this area and my old father lives in the same street and the house cost 1550000 Swiss Franc. The money we saved is only 700000 francs, to be able to buy this house it is necessary to take interest-based loans from banks, we rent this house since 10 years already and we are paying rental fee which the same amount I am going to pay to the bank as interest , if the other family will buy the house, they will ask us to leave because they always wanted to live in the part we rent as it bigger and nicer, and we cannot easy find new house of apartment in the area where we live now. We only want to keep this house and no attention of doing business or earning money in this bank deal. Any prohibition may have certain necessity circumstances that call for relaxation. This applies to Riba and too many other prohibitions. Of course, a necessity must always be given its right weight since it is Allah, the Most Knowledgeable, Who is going to screen our truthfulness, not anyone else, can you justify this case as necessity and advise us to go ahead and buy the house or say Hasbi Allah wa nima alwakeel. May Allah guide you to the straight path, and guide you to that which pleases Him Jazakum Allahu Khairan for your constant help

Yours, Sami

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Sr. Susi

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Here we are faced with a common need that applies to your case and many other Muslim families that live in Western countries that have no Islamic house finance facilities. I believe that this kind of needs call for relaxation of Riba and if I was in your place I would go ahead and take an interest-based loan and buy the house. I pray to Allah to help you pay this loan to the bank in a very fast way InShaAllah.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

---

Prof. Dr. Monzer Kahf

From: Abdelhai

Sent: Wednesday, June 25, 2008

**Question: Shari'ah house financing**

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh.

I have a former coworker named Muzzammil who is seeking Shari'ah aligned financing for his real estate investment. He stumbled upon La Riba and was happy to see that Muslims have at least this choice.

I understand why you did not make a ruling on the validity of La Riba or Guidance Residential on the Islamonline.net consultations. However, how can Muzzammil and any brother / sister of humble knowledge make a decision between La Riba [Residential] and Guidance?

What are your thoughts and scholarly absorption on La Riba and Guidance?

Are there other choices besides these?

If unfortunately you cannot answer, please direct me towards the necessary logic.

Jazaka Allahu Khayran again Wassalam Alaykum wa Rahmatu Allahi wa Barakatuh.

Abdelhai

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Abdelhai

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Look into these two criteria and neglect everything a website or any advertisement material say, claim or show:

1. What does the contract itself (no other introductory or any other materials) say: loan and interest or purchase/sale and price or purchase or partnership and rent? The first is Haram and the other two are permissible.

2. Has the contract been reviewed by Shari'ah scholars whom you trust. In other words, look who reviewed and agreed on the content of the contract. If you find a group of Shari'ah scholars that reviewed the contract you may trust it but if you find one person who does not know Shari'ah did that, you can then decide for yourself.

These two criteria make or break in term of acceptability of a finance contract from Shari'ah point of view. If you find none that fulfills these criteria or if one that does fulfill them charges much higher rates, you may then go for conventional.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Abdelhai

Sent: Sunday, June 29, 2008

Assalamu Alaykum.

Jazaka Allahu Khair. I am humbled.

I have the perception that both Guidance and La Riba use the Declining Balance Musharakah model. As such, is it possible for you tell me on which detail of the model they differ -- explaining at a brief top-level treatment and without endorsing either of the institutions? Also, please pray for me and every person who asked Allah with a softened heart for His Bounty.

Jazaka Allahu Khair wa Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh.

Abdelhai

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Abdelhai

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I guide you to look at facts of contract and Shari'ah reviewers and you tell me about perceptions. Did you understand what I said? Please read it again and try to understand my statements and don't tell me about what you read on the website or what they tell you or your perceptions. . .

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

-----  
From: Moustafa

Sent: Thursday, July 10, 2008

**Question: House Mortgage Urgent**

Salam Dr. Kahf,

I am in the process of buying my first house here in California. I would like to do it Islamically if I can. I have been talking with GUIDANCE, but their rates are way higher than other regular banks in the US. Their rate today is 6.75% whereas other banks are around 6.0% - 6.1%. Houses here in California are expensive and since I have to finance a large amount. My monthly payment and the profit there are going to make, is going to be a lot higher. In addition when I talked to them I felt that they are no different than other banks. Maybe the concept of Musharakah makes sense to me but the way they do their calculation is the same as any other banks. I don't know much about how Islamic financing works but I read your Fatwa about if the Islamic banks don't give competitive rates we can go to other banks.

Question 1- Does GUIDANCE comply with Shari'ah Law 100%. So doing finance through GUIDANCE is worth it.

Question 2 - Could I take the fatwa and use other banks for the reason I specified above.

Please if possible you can email me back as soon as possible because I have to make the decision very soon.

Thank you and Jazaka Allahu Khairan

Moustafa

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Moustafa

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Please notice that I cannot make a decision for you, it is your personal responsibility toward yourself and toward Allah, I shall not be accounted on your behalf. This means that I can only tell you principles that may remove misconceptions.

1. The way of calculation is of course similar between any provider of Islamic finance and any provider of conventional finance. This is because they both provide finance, one in accordance with Shari'ah and the other on interest basis. This similarity is even not denied in the Qur'an (please read carefully Verse 2: 275).

2. Determining whether a finance contract is Shari'ah compliant or not depends on 2 points: 1) careful reading of the contract itself (not the advertisement writings that are very often misleading and inaccurate) and whether it is a loan contract or sale or lease/sale. A loan contract is not permissible in Islamic finance and any increment in it is interest that is prohibited. An increment in a sale or lease/sale is permissible; and 2) whether the contract has been reviewed by Shari'ah scholars whom you trust and accept their view. Here I can advise you that the Shari'ah scholars of Guidance are excellent experts and very trustworthy.

3. I don't give any personal judgment about any other human being or legal entity that is not within my role, I can only give views on ideas. This means that I don't answer your question No.

1. For question No. 2 you should notice that it is you who should answer this question, I gave the principle already. . .

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Samy, Islam on line

Sent: Wednesday, September 17, 2008

**Question: Buying a House with non-Shari'ah Compliant Mortgage**

Dear Dr. Monzer,

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh,

I am working in UK for the past 6 years. I bought a house in Scotland in 2004 with HSBC mortgage. Unfortunately there are no Islamic/Shari'ah compliant mortgages available for property in Scotland. In 2007 I moved to England for job and rented a flat in the new city. As I was not sure about the duration of my job and still not sure when will I go back to Scotland so I did not sell my house in Scotland but put it on rent instead. Now I am paying 857 pounds/month in mortgage and 600 pounds/month as rent of my flat in England. I get a rent of 620 pounds/month for my house in Scotland. I am not sure whether I can spend that money to pay the mortgage or to pay my rent in England as the house was bought with non-Shari'ah compliant mortgage and I pay interest on that. I would be very grateful for your help.

Jazakum Allahu Khairan for your constant help

Yours, Sami

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Sohail

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I don't seem to be in a position to say anything. I cannot set your financial plan for you and you don't need a financial plan any way!!

You have obligations to pay, for wrong or not, that you have no choice to do without and you have income that you earn from rent and from work. Then go ahead and pay your current rent, the mortgage of your house that you want to keep and your other expenses. You pay all these from the pool of your income that comes from the rent of the house and from compensation of your working hours.

Wa Allahu A'lam

Wa Al Hamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

-----  
From: Nazmul

Sent: Wednesday, September 17, 2008

**Question: house purchase mortgage**

Assalamu Alaykum Dr. Monzer:

Alhamdulillah I have found your webpage today and was eagerly going through your fatwa mortgage 2007. PDF file. I truly admire your devotion to Islamic finance and your efforts. May Allah grant you Tawfiq to do more for the Ummah?

I will appreciate if you clarify my following concerns.

1. I became confused about the extent of "Halal" about bank mortgage. You said "If you need a house and do not find Islamic finance at competitive rate you can go for conventional finance according to the Fatwa of the Second International Conference on Fiqh that was held in Detroit in the Fall of 1999". In Canada, we have ISNA housing loan and based on my experience with them for my home buying, the "rent/occupancy charge" was ~8.3% of the amount I borrowed. Whereas with bank, probably I could have got it for ~4.5%. Also, the bank offers open, variable interest rate mortgage. Based on the above scenario, will it be permissible (Halal) for me to go to a bank?

2. Regarding Zakah,

Wassalam, Nazmul

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Nazmul

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

1. The Fatwa is still valid and its application should be done by each individual on her/his own judgment. You know brother people differ in their evaluation of differences depending on their own equations and market prices also vary whenever there is a difference in the rate and

conditions of a contract, it is the personal judgment that applies with regards of how one looks at these differences. Some people disregard price differences all together and some others for them a small minute difference is a serious issue. This can only be exercised on personal levels by each person alone; nobody can make such decision for any other person. Please apply the fatwa on your own judgment and perception of the difference whether you consider it a big difference or not in both the rate charged and other conditions of the contract,

2. Zakah is due Wa Allahu A'lam  
Wa Alhamdu Lillahi Rabb al Alamin  
Wassalam  
Prof. Dr. Monzer Kahf

---

From: farhan  
Sent: Monday, September 22, 2008  
**Question: House financing**

Assalamu Alaykum,  
I have a question regarding Islamic finance of housing as discussed by Mufti Taqi Usmani in his book "Islamic Finance". I have read the chapter in quite detail, in regards to co-ownership model for financing a house. I have also discussed this plan with Meezan bank in Pakistan that uses this very same model. Since I am in the US, I need a company who will use this mode of finance for me here in the US. Guidance Financial is a company; I am not sure if you are familiar with them, also states they use the same model and have official approval by Mufti Taqi Usmani regarding their model being compliant with Shari'ah. However, after studying their model, I do not believe they are using the model as it is supposed to be. I wanted to know if you have studied the model of Guidance Financial and your opinion regarding it. My concern is they are selling you back a share of the house but not at a fixed price, rather than the price increases every month. I understood that the price of the property that you are buying back should be fixed. We can discuss further after your response. I hope I am able to make clear what I am asking.

Jazaka Allah Khair.  
Farhan

**My Answer:**

Bismillah al Rahman al Rahim  
Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Farhan

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I understand your question completely. Unfortunately I do not give Fatwa on persons, legal or natural. I give only on issues. The issue of house finance on co-ownership basis includes a promise to sell on piecemeal contracts along with rent contract. As you said quoting Usmani, it is permissible in Shari'ah.

For the specific contract of the specific company that you mentioned, you need to read the contract again and try to understand it with empirical example, I think you misunderstood it. . .

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin  
Wassalam  
Prof. Dr. Monzer Kahf

-----

From: Farhan  
Sent: Monday, September 22, 2008

**Question:**

I appreciate your prompt reply. My specific question is, is it permissible to sell the share of property at different values (increasing value) each month or does it have to be a fixed amount? I understand if you are not able to give a "fatwa". Any help will be appreciated.

Jazaka Allahu Khairan, Farhan

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Farhan

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

When a sale contract is concluded between two parties they can set the price the way they agree on. Hence, if a contract is done every month for a part of the property (whether equal parts for all months or not) the price of each part must be known at the time of each contract, these prices can be equal or not equal; it is a matter of agreement.

Please notice that while I give you this generic answer, the house financing contract that is based on co-ownership is not structured in this manner. It is rather a series of monthly sale contracts of ever larger segments of the property (the part of the house that is sold each month is larger than the part sold the month before it) at a promised price that is exactly equal to the share of that month's segment of the original purchase price of the property. In other words, the price per square foot is the same as the cost price but each month the number of square footage sold is larger. So that the amount you pay toward purchase is larger each month and the rent is smaller because you continuously buy larger portions not because you pay higher price. You apparently misread the contract.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

-----

From: Samy, Islam on line  
Sent: Thursday, September 25, 2008

**Question: Purchasing House with Bank Loan**

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh,

I hope you are fine.

In the Latin culture of law, when someone wants to purchase a house, 1) first of all, he has to go to the financial institution, i.e. a bank, to request a loan. When the negotiation finishes, the bank gives to the debtor the sum of money, and this is notarized by the notary, who witnesses and writes the loan contract, with the specified interest rate. So, the interest based loan has

been created. Afterwards, 2) the bank wants a guarantee, i.e. the mortgage, so with the notary's deed goes to the land registry in order to create it. In this point, the register checks all the points of the contract between the bank and the debtor and records the information in order to reflect that this house has the charge of the mortgage and it is erga omnes (can be exercised with respect to third parties) and to execute if the debtor does not pay. And finally the register creates the mortgage, without doing anything else than observe the legality and the conditions of the contract. My question is: in all this process 1) and 2), what are the actions that fall in Allah's wrath based on Islam? Can we consider the notary a witness of the contract, besides the debtor and the bank? And, once the contract and the deed are created, the activation of the mortgage can be considered to be equal to the constitution of the Haram interest based loan? What are the boundaries of the Haram and the Halal between the direct and indirect collaboration in this kind of transaction, when in many fatwa we read that the indirect one may not be considered totally Haram. Jazaka Allahu Khairan.

Jazakum Allahu Khairan for your constant help

Yours, Sami

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Nimoon

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

The correct Hadith counts four functions: taking Riba, giving it, writing it, and being its witness. If some of these activities are done by more than one person, the Wrath of Allah touches each doer of any portion of that activity. Let us look closely in your example who are the doers of Haram: the two parties to the loan contract, the Notary who authenticate the contract and signatures on it (a witness) the Registrar who write it in the real estate records, the lawyer of the bank and the client who draft the contract, the bank loan officer who negotiate its terms, and may be more. . .

Those who are not involved directly to the transactions are: the bank IT person, the seller of the property, the teller who makes payment regardless of what it is for, the real estate agents who helped the deal knowing that it is going to be done on interest basis, etc. . . By the way this process is about the same everywhere not only in Latin America!

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

-----  
From: Nafi

Sent: Wednesday, December 24, 2008

**Question: Islamic finance for house buying**

Salam Alaykum

I want to take a home loan from an Islamic Bank in Australia called MCCA.



The transaction will be: Ijarah muntahiah bittamlik as they say. However when I asked MCCA where they got the money from? They said from Australian Financial Institutions which of course lend the money with interest.

Is it halal to borrow from MCCA?

Please advice

Jazaka Allahu Khayran

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Nafi

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

There are two points here that you should please keep in mind:

1. The contract between you and the finance provider is what matter to you and it is not of your business what relationships the finance provider may have with other persons and entities. Let us take a case when a conventional bank offers you a permissible contract, like house finance of declining lease basis or even opening a current account or transfer of funds, is it permissible to take this contract while you know that the same party makes all kinds of non-permissible contracts with other persons. It is of course permissible because Allah does not appoint you to check other people's transactions and relationships and in fact even does not allow you to poke your nose in other people affairs; that is none of your business or concern except on a matter of offering a kind advice.

2. The MCCA, as an Islamic finance provider does not take funds on interest from other entities. The point that you came to know it takes funds from banks does not mean it takes them on interest basis, that you should be assured of. The MCCA, like several similar Islamic organizations in Canada, USA, UK, Netherland and other Western countries makes arrangement with banks and credit unions to assign the lease contracts to them, this assignment, from both legal and Shari'ah points of view, means sale of their share in the property to the conventional bank, at a lower rate of rent than the rate you are charged (so that it makes some profit out of the difference). Such organizations are able to do this on the ground of offering banks bulk transactions and with the help of some community support programs. Normally, banks won't give you similar privilege on individual basis. I suppose there is some misunderstanding or miss representation in you statement that they take funds on interest basis, they don't. But please notice that I make point No.1 first to indicate that even if they take funds on interest the contract you have with them is still permissible and it is permissible to make transactions with them.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Ammar

Sent: Wednesday, March 11, 2009

Location: Hawthorne, CA

**Question: Ameen Housing Co-operative**

Assalamu Alaykum,

A brother asked me about Ameen Housing Co-operative, located in Santa Clara, Ca.

Is it halal? And is it feasible?

Sincerely Yours,

Ammar Kahf

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Son Ammar,

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Yes it is Shari'ah compliant but its conditions are difficult to meet.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

-----  
From: Amr

Sent: Sunday, March 22, 2009

Location: United States

**Question: LaRiba house financing**

Dear Prof. Kahf,

This is Amr Taha of IslamOnline.net's Politics in Depth section. Upon the recommendation of Mr. Wael of Shari'ah department, I would like to take your professional fatwa about Lariba's method of home financing, which they say it is completely based on Shari'ah. Actually, they are using a certain method of financing that I am not sure whether it includes interest.

I would highly appreciate if you could read the following link (about Lariba's system of home financing), and send me back whether this system complies with the Shari'ah or not.

<http://www.lariba.com/home-financing.htm>

Looking forward to hearing from you.

Highly appreciated,

Amr

-----  
Dear Prof. Kahf,

Thank you for your email. Kindly note that the aim of my email was not intended to have fatwa per se. I look forward to cover Lariba's home financing from a comparative perspective to the Western one (the coverage is not about religion, it is about society), and I really did not know whether their system of home financing is based on interest or not, because I think if I embark on covering Lariba's home financing method without understanding their system from a Shari'ah perspective — which I did not know — it will be not professional for me to cover something that I do not know about. I did not intend to use the Fatwa online as I just wanted it for me in order to be able to understand their system before covering it.

I hope you kindly understand the aim and purpose of my email as I did not intend to have a fatwa to be published online.

Looking forward to hearing from you.

Highly appreciated,

Amr

-----

Dear Prof. Kahf,

Thank you for your kind and prompt reply. I very much appreciate your kind advice. Do you know some institutions in the United States that do not really use interest? I would like to cover Islamic institutions that really use Shari'ah, but I did not know those which really respects Shari'ah.

Looking forward to hearing from you.

Highly appreciated,

Amr

**My Answer:**

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

This answer is confidential and for your own personal consumption and use only. Lariba uses contracts that are exactly conventional. The legal relation is pure and only conventional but the advertisement and propaganda is Lariba and that they look at the real rental market and then give discount of the rent to match the interest rate (remember that fact is the rent is always above the interest rate although it may happen that sometimes rent may be lower for certain odd reasons like too much speculation of house prices like what happened over the past few years). Everybody tried to advise them to change and all other providers do give real Islamic contract but they insist on their way (I personally think that the reason the chairman of Lariba gives is what he really believes: he fears that if he does not use the conventional contract he then would be traveling in troubled and untested water that may turn against him any time). Remember also that Lariba bought a local bank and he insists on keeping it interest-based. We have other companies including a bank owned by a Jewish family that offer fully Shari'ah compliant contracts and they are doing well without the fear of Lariba. In brief "Lariba is only Riba" nothing else but with big mouth that dares to claim otherwise without any basis.

Best Regards,

Wassalam

Monzer Kahf

-----

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Amr

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

It is inappropriate for me and for Islam on line to give Fatwa about persons, natural or legal because persons change over time. If you are asked about a contract you give an answer on it not on the company. I know very well this company but I don't give Fatwa about companies. Give a contract and I will answer it.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

-----

Dear Br. Amr

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Yes, please check Guidance Financial, and Samad Ijarah and company, also University bank in Detroit. There is also Devon bank in Chicago (this is the one owned by a Jewish family, just look at it but do not write on it and do not make promotion for it). Please be assured that I have no relation and no benefit from any of these. These companies Offer Shari'ah compliant house finance in USA, there are also a couple of companies in Canada.

Best Regards,

Wassalam

Monzer Kahf

-----

From: Mohamed

Sent: Wednesday, April 08, 2009

Location: Canada

**Question: Paying off bank house mortgage**

Dear Dr. Monzer,

Assalamu Alaykum wa Rahmatullah wa Barakatuh,

I live in Canada. I read the fatwa posted on your web site, that says it's Ok to buy a house through a mortgage under certain conditions and I did buy a house by taking a mortgage through one of the banks here in Canada. After buying the house I got a contact to work in the Middle East, so I closed my house and went to work in the Middle East, now I'm returning back with some savings. Do I have to pay all my saving in the house to get rid of the interest? Or just keep paying according to the old schedule?

Jazakum Allahu Khairan for your constant help

Yours,

Muhammad

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Muhammad

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

The principle is that any action taken on the principle of necessity or quasi-necessity (i.e., need by large number as in the case of the Fatwa on conventional mortgage for housing) can only continue as long as needed only and once a person has sufficient means to pay off such an interest debt should do that. This may be especially the case when there are no other consideration for the mortgage such as tax relief that does not exist in Canada.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

-----

Dear Br. Mohamed

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Please put a key word in the subject line, the word "financial question is not a key word.

Best Regards,

Wassalam

Monzer Kahf

-----

From: Annas

Sent: Sunday, May 03, 2009

Location: United States

**Question: House Financing Structure through establishing a company**

Dear Amo Monzer,

InShaAllah you and your family are well and in the best of conditions!

I am e-mailing you today because my older brother Bilal, has come up with an interesting idea of how one could possibly structure an Islamic home financing contract in a way that is not only compliant with the tenets of Shari'ah, but which also does not render investors or those seeking halal financing at a financial disadvantage (in the specific context of German law). I would very much appreciate your opinion on the Islamic validity of such a contract or arrangement. For in case it is sound, it should not be too complicated to set up dedicated real estate investment funds based on this structure, and one would have found a way to serve the yet unmet demand for Islamic house financing in Germany.

In short, one of the core problems of having an Ijarah-like house financing in Germany is the fact that with each sale transaction of a real estate property, the government demands the payment of a property tax. Thus, if an investor wants to buy a house and then gradually sell it to the person seeking the financing (while at the same time receiving rent payments for his share of the house) one would have to pay the property tax twice.

The idea that Bilal has come up with, and which according to German law would not make the double payment of the property tax compulsory, goes as follows:

- 1) An investor (private person or legal entity) and a private person enter into a partnership and found a private company. The purpose of the private company is to buy the house that the private person wants to buy and seeks financing for.
- 2) The investor and the private person supply this company with the capital that is needed to buy the house (for legal reasons, the private person would need to supply at least 5,1% of the capital).
- 3) This private company buys the house that the private person wants to buy and needs financing for. If we assume that the private person has supplied 5,1% of the capital to the private company which now owns the house, and the investor has supplied 94,9% of the capital to the company that now owns the house, then the shares of both investor and private person in the private company effectively also constitute shares in the house.
- 4) The private person would then rent the house from the private company for a pre-defined duration (say, 20 years). The rent would be the regular market rent. The private company would then distribute the income from the rent to its shareholders (e.g., in this case, in the beginning, that would mean 5.1% of the rent goes to the private person, and 94,9% of the rent goes to the investor).
- 5) At the same time, the private person and the investor agree on a plan whereby the private person gradually buys the shares of the investor in the private company, say over a time period of 20 years in monthly installments. After 20 years, the private person would fully own the private company which owns the house, and thus the private person becomes the sole owner of the house.

Using this structure, we have several contracts:

- 1) The contract for the foundation of the private company (where private person and investor supply a certain share of capital each).
- 2) The contract whereby the private company buys the house.
- 3) The contract whereby the private person agrees to rent the house for a pre-defined time frame.
- 4) The contract whereby the private person agrees to buy off the shares of the investor in the private company that formally buys and owns the house.

All four contracts would have to be signed simultaneously.

Of course, there are much more details to consider, for instance, as to what would happen in the case of bankruptcy, how the rent is determined, etc... However, before enlarging on such details I wanted to kindly ask you for your general opinion on this matter, especially on whether you think that such a structure is in line with Islamic law. In case you think it is, Bilal and me would develop a more sophisticated model that is thought through both from a legal and a business perspective.

As per our current understanding, from a tax, legal and business perspective, such a structure is perfectly competitive and does not entail any significant financial disadvantage to any of the parties that are involved in such a transaction.

I would highly appreciate your opinion on this subject matter, and thank you in advance for your help and consideration. In case you have any queries, please do not hesitate to let me know.

Jazakumu Allahu Khayran Al-Jaza' for your kind advice! I am very grateful for your guidance!  
Baraka Allahu Fiekum and my best Salaams to the family,  
Wassalam Alaykum Wa Rahmatu Allahi Wa Barakatuh,  
Annas

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Annas

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

The idea works perfectly. Two things need to be checked: 1) cost of establishing and maintain the company for 20 years or more, are there any reporting it is required to make, registration fees, etc.; and 2) the mode of transferring shares from one partner to the other, does it have any taxes, recording, fees, etc.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

-----  
From: Muhammed

Sent: Wednesday, May 06, 2009

Location: Canada

**Question: House financing in Canada**

Wa'alaikum Assalamu,

Jazakallahu Khairan. Akhee, I have been researching Islamic Financing for over 10 years in Canada, and am very familiar with what is involved here.

Nur Cooperative: has no capital, not currently offering anywhere in Canada

UM Financial: currently no capital, not currently offering anywhere in Canada

Salam Financial: not established yet, not likely to be established in the near future

Al Bassam House: still not established, maybe within 1-2 years.

Other organizations such as Ittihad Capital, LaRiba, etc., do not do residential financing.

I have also called every single group in the USA that offers such services and none are able to operate in Canada.

I'm sorry but I have been very diligent trying to find options. I have spoken to credit unions, banks, and every Islamic organization out there to try and develop an Islamic contract that enables me to buy. In fact, for years we have been lobbying with the credit unions to provide us a service. And I am not the only one, we are at least 30-40 families here in our city alone renting and waiting for an affordable Islamic option.

If I am missing something, please do let me know. It would seem I just need to be patient until a group can raise more capital. Which is difficult when the economic situation is as this.

As for the Ijarah Loans transaction, I don't know how much more detail I can provide.

I am wondering:

1. Is it Islamically permissible for me to sign the regular mortgage with the intention that it will be converted to a Shari'ah compliant transaction before the first interest bearing payment? (we were thinking about the hadith with Bareerah, when a Ayesha (RA) signed a contract with an invalid condition (she would return Bareerah's children to the seller).

2. It appears to us that basically what happens is that Ijarah Loans takes over the mortgage, and then the contract between us and Ijarah Loans is Shari'ah Compliant (that contract is approved by Taqi Usmani). Is that then permissible? We are under the impression that as long as our end of the contract is Islamic it is ok.

Again, I am really sorry to bother you. Believe me I sincerely just want to do what is right. At the same time, I desire stability for my family. And believe I have researched every option feasible.

Jazallahu Khairan, May Allah SWT bless you and your whole family for taking the time to help me!

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Muhammed

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

My apology, I thought you did not do your homework first and I am surprised that UM Financial stands empty handed now because I know they are financed by one of the largest credit unions in Canada! Searching for 19 years you could have benefited from the services of the housing cooperative by meeting its long list of conditions by now!

The Hadith of Barira is irrelevant because The Prophet, pbuh, informed A'isha that the condition they asked for (not a matter of children but a matter of pledging Barira's Wala', that may then give a part of her estates when she dies, to the seller) a condition that contradicts the sale contract. This is because the Fiqh maxim dictates that a sale transfers ownership and ceases all relations between seller and object of sale.

I don't understand the way this Ijarah/Loans Company works, why should you first sign a mortgage contract?

However, if sign a mortgage contract, then assign it fully to this company so that you have nothing to do with it any more, i.e., no recourse on you, and this is done before any payment begins, I see no problem in signing it as a vehicle to reach the other contract that you said was studied and approved by Shaikh Taqi.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

-----



From: Mohammed

Sent: Tuesday, May 05, 2009

Location: Canada

**Question: Ijarah Loans**

I am hoping you can give me advice on a matter. I live in Canada and have been renting for 10 years now. I now have 4 children Alhamdulillah and badly want to purchase a home and have stability.

Unfortunately, I just cannot in my heart take out a mortgage even given the fatwas that allow it in the west. Somehow my heart just won't allow me to do it still. So I have been saving but I am getting very desperate.

So, there is a new company that came to Canada called Ijarah Loans form the US. They say they have a product, where I go get a regular Mortgage from the bank and then before the first interest bearing payment is made they convert it to a Shari'ah compliant transaction. I don't really understand how it works, it sounds to that basically I end up paying Ijarah Loans then they pay the bank the regular mortgage payment.

I also feel this is not ideal, because I am the one to sign the agreement in the first place, and then they are paying the bank the regular interest payments.

Please advise as we respect your opinion very much Sheikh.

Jazakallahu Khairan

Muhammed

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Mohammed

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Canada has several programs of home financing that are Shari'ah compliant. You just have to make your research and choose one that suits you. I advise you to go ahead and purchase with the help of Shari'ah finance with one of these programs.

For this specific program, the way you described it does not give any initial impression that it is Shari'ah compliant. But please check for more details and send them to me to see whether it is acceptable or not from Shari'ah point of view.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

-----

From: Mohammed

Sent: Tuesday, May 05, 2009

Location: Canada

**Question: Ijarah Loan structure in Canada**

Wa'alaikum Assalamu and jazakallahu Khairan for your fast response,

Unfortunately, in Canada there is currently only one Islamic financing program operating (the rest have run out of capital), and that one is extremely unaffordable in terms of down payment. We could never save enough for it.

Ijarah Loans ([www.ijaraloans.com](http://www.ijaraloans.com)) is now operating and has a conversion product in our province. Please take a look and let me know what you think. I will also paste some of our exchange with the company:

I was hoping to get more information the mortgage conversion program in Canada. If you don't mind, could you please provide answers to the following questions:

1. What exactly is mortgage conversion? [Shoeb Replied] we have a proprietary process under which we can 'convert' a mortgage transaction to an Islamic Shari'ah compliant process. We basically change the nature of the transaction from a mortgage/interest transaction to an Ijarah™ rent to own transaction.
2. What role does the bank play after a mortgage has been converted? [Shoeb Replied] the bank basically becomes an investor, and earns their return through a rent payment.
3. What about Ijarah Loans? [Shoeb Replied] we are a trustee of the trust that is created, and administer the lease, promise to purchase, reporting, etc.
4. Are my monthly payments made to the bank or Ijarah Loans? [Shoeb Replied] you monthly rent payments are made to the trust and collected by Ijarah Payment Processing.
5. I noticed all of your offices are located in the United States. How are payments of property taxes handled? [Shoeb Replied] there are two ways in which the payments can be handled, 1) it can be part of your rent payment, 2) it can be paid by you directly, but typically it's included in the rent payment.
6. Roughly, how many mortgage conversions have you completed in Canada? [Shoeb Replied] we just started in Canada a few weeks ago, so we have not completed a conversion yet, however, we already have over 25 deals in process.
7. Have you encountered any issues? [Shoeb Replied] no issues yet in the States, and none expected in Canada.
8. Are all Canadian banks open to mortgage conversions? [Shoeb Replied] there is a loophole in all mortgages both in the States and Canada, that allows us to do what we are doing and the Bank does not really have a say in it, as long as we don't change the economics of the deal, we can change the nature of the transaction.
9. Is there a limit to the size of the mortgage you will convert? For example, is a \$400,000 mortgage reasonable? [Shoeb Replied] we are not limited by size of mortgage, what does create an issue is if the mortgage is a commercial mortgage, which is still possible to convert, but any residential mortgage is no problem.
10. What is currently preventing you from offering Ijarah/Musharakah products in Canada? [Shoeb Replied] several issues we are working through, the main one being licensing, and finding appropriate investors for the Canadian market. We have elected to start with our conversion product to demonstrate a demand, which will Insha Allah allow for a faster entry with our other products.

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Mohammed

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

1. There are at least four institutions that provide Islamic finance in Canada not only one. I know that the conditions of the Islamic Housing Cooperative are difficult to meet but others are not like it. Please make your homework right!

2. I don't give opinion on the basis of websites, they are changeable. Please give me a definite question and I can then answer it. I raised questions on this loan/Ijarah idea and need full details to give my view.

Wa Allahu A'lam

-----

From: Mohammed

Sent: Tuesday, May 05, 2009

Location: Canada

**Question:**

Assalamualaikum Br. Monzer,

Hope you are doing well InShaAllah. I got your email from your website. I live in California and I would like to know if "Ijarah wa Iqtina" contracts are Islamically permissible for home loans? (I'm sure it depends on the specifics of each contract - but I'm wondering if "Ijarah wa Iqtina" is permissible in general as a contract to purchase a home)

Also, is there a preferred method? Meaning is for example Musharakah a more preferred method than Ijarah wa Iqtina from an Islamic perspective?

Thank you very much.

Wassalam

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Muhammad

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Ijarah wa Iqtina is permissible as a concept, companies may express it in different ways sometimes adding certain conditions that are either not legal or not Shari'ah permissible. In home finance there is nothing called Musharakah because the finance institution makes its income only from renting you its share. (Murabahah may apply but not Musharakah). Any company that uses Musharakah in home finance is making a misnomer. However in other businesses such as financing machines for a factory or the place of business for a car dealer, Ijarah and Musharakah may be used alternatively. There is no Shari'ah preference for either above the other.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

-----

From: Mohammed

Sent: Tuesday, May 05, 2009

Location: Canada

**Question:**

Jazakallah Khair Dr. Monzer.

Below is a summary of two types of financing. Would you say both these ways are equally permissible (even if I am not in hardship - basically I can rent instead of buy if necessary)?

Ijarah wa Iqtina

1. Buyer selects property
2. Buyer pays the "on-account payment" (down payment)
3. Independent trust holds the title to the property
4. The house is leased to the buyer. The lessee pays monthly rent to the trust. The trust pays the real estate, property taxes on behalf of the property and adds that the monthly rent.
5. At the end of the lease (usually 30yrs) the title is transferred to the lessee for a fee of \$1.00 (By the way, is the \$1.00 at the end allowed Islamically?)
6. If the lessee would like to sell the house the trust is informed and an arrangement is made to sell the house (the trust transfers title to the lessee so the house can be sold and the "owner" (in this case the lessee becomes the owner who takes the full gain or loss on the property.). If the house is sold at a profit, the lessee keeps 100% of the profit. If there is a loss, the lessee bears the first loss.

Musharakah type (Declining Ownership) - maybe it is called something different

1. Buyer selects property
2. The buyer and co-owner form a partnership
3. Both buyer and co-owner buy the home together - each having the share they put into the property as the down payment amount
4. The buyer makes monthly payments to the partnership. Part of the payment is a "utility fee" to use the home and rest to increase the buyers share in the partnership
5. Over the course of time the buyer buys the entire share of the property and becomes full owner of the property.

Questions:

1. As described above is the "Ijarah wa Iqtina" contract permissible?
2. As described above is the "Musharakah type" contract permissible?
3. Would you say that one type of contract is preferred Islamically for home financing?
4. If there is loss or damage to the property and the insurance company refuses to cover the losses then is it Islamically ok for the buyer (or lessee) to cover the attorney fees, loss, etc. even though he/she does not actually own the property under the Ijarah wa Iqtina contract? Or must these fees Islamically be covered by the trust (the lessor in the Ijarah wa Iqtina contract since the trust actually owns the property)?
5. Is the \$1.00 at the end to transfer title (from the trust to the lessee) allowed Islamically?

Thank you again very much.

Wassalam

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Mohammud

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

1. yes
2. Yes and it is in fact Ijarah wa Iqtina because there is nothing in law and in Shari'ah called utility fee, it is rent pure and plain, let them call what they like.
3. No
4. In both cases there must be no condition requiring the lessee/user to pay all such cost or difference, these must be distributed to both in proportion of ownership (the trust simply represent both, it is not an entity that makes a legal difference except for bankruptcy protection and the like). Voluntarily any one can volunteer to bear these cost or any other cost.
5. Yes but this is a jock that courts do not accept both Shari'ah and others because title is transferred not for the 1 Dollar but because the lessee paid the full price over the period of 30 year in addition to the rent of the part the lessee does not own (in fact there is a court case to this effect in 2005 and Malaysia).

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

-----  
From: Kashir

Sent: Wednesday, May 20, 2009

Location: United States

**Question: Mortgage process**

As Salam O Alaykum Brother Monzer,

I am in dire need of your help regarding my first home purchase and the mortgage process?

Based on my research (please see the references below) and what I have heard from people, I am very confused and need guidance with your expert knowledge to make a halal decision in my life.

Scenario:

- I have bought a new (to be build) home from a Centex builder. The home will be ready end of this month
- Builder is only paying \$7500 closing cost if I go with CTX mortgage, which is their mortgage company
- CTX mortgage is giving me 4.625% interest rate for 30 yrs. loan

· I only have 10% down payment to make. I can't afford more than this. Builder paying \$7500 helps me significantly to buy the loan.

Question:

· According to Islamic law, am I permissible to buy a home from the builder and pay regular interest?

(I heard from people that if you go with builder or bank who owns the property, then it is ok? However, according to the references below, it sounds like it is not allowed)

Options

- I have contacted Guidance and filed an application with them.
- They require at least 10% down payment. In my case they are willingly to allow 5% down
- I will not have \$7500 towards closing from builder, I have to pay out of pocket.
- The profit ratio (interest rate) will be higher than 5% with Guidance.
- The monthly payment will be higher with Guidance.

If I go with Guidance.

- I will have to stretch significantly to go with Guidance. This will also result in almost emptying my bank account to start with them. I will not have backup money, unless they allow me to pay 5% down.
- However, I have a good stable job and InShaAllah will be able to successfully make monthly payment and save more.
- My father recently had heart attack and I was planning to save money for his medical expenses.
- Early next year, my brother and sister's marriage ceremonies are happening, I need to save money for that as well.
- We are Masha Allah expecting a new addition to our family as well this year
- After buying the home, there are bunch of new expenses that will occur

Please advise me in the above situation what should I do and what is permissible in Islam according to Quran and Sunnah.

Another quick question I would like to ask for my better understanding.

Would it be allowed according to Shari'ah, if I ask builder to make the following change in the contract?

Amend the contract to buy and to make payments to parent company, i.e., Context, instead of doing purchase agreement with Centex Homes and lender agreement with CTX mortgage? Centex is a parent company of both of these and they are called its divisions or affiliated companies.

If they agree to make above changes, would I still need them to amend the contract on the installment prices instead of cash price and interest?

JazakAllah Khairan for your help and guidance in this regards.

Regards

Kashir

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Kashir

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

It really makes no difference whether you make contract with the parent company or not. This is not the issue. The issue is to buy at interest or buy on deferred payment (installments). The first choice I would say is to make it like what is called in some states "land contract" sale for a price that consist of say 20, 000 first payment and 120 installments of 1000 each due ... This the law, to the best of my knowledge, requires the seller to calculate and inform you explicitly what is called "the implicit interest rate" that is for this sale the cash price is so much and by committing to this schedule of payment you are actually paying interest, implicitly, at the rate of? This explanation is not part of the contract. If I see a contract like this even with this declaration of implicit interest I would accept it as Shari'ah compliant, even if the declaration is made on the same page of the contract. Because it is only explanatory and required by law, the law calls it interest but when it is an integral part of the price it is not interest for us.

If this is not possible, making the contract with the parent company will be for interest and you apply the famous Fatwa of buying residence on conventional mortgage when the conditions required by Shari'ah compliant providers cannot be met by you.

Under the circumstances that you mentioned and if the financial difference makes a real difference to you your option to get the interest-based mortgage from the builder seems to be a better one. Islamic finance must not be costlier. This is an important point and the Fatwa of the Second International Fiqh conference that was held in Detroit in 1999 seems to apply to your case. BTW, taking finance from the seller may be OK provided the contract is amended to make it on the basis of installment price instead of cash price and interest.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

-----

From: Kashir

Sent: Monday,

Location: Guyana

**Question: Borrowing to buy a house**

Dear Dr Kahf

As salaam mu Alaykum

Hope that all is well with you and yours by the Grace of Allah.

Whilst here an opportunity has arisen to purchase a property in Miami for about \$500,000 USD and we were hoping that you could point us in the direction of the appropriate lending agency for this or any other guidance in these matters.

Insha-Allah I hope we can be in touch.

Was salaam

Kashir

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Kashir

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

For residential finance the best company is Guidance Financial (you can find it on the internet) its contracts are reviewed by a trust worthy group of Shari'ah specialists. If it is not residential, you may like to consider Zayan, university bank in Detroit area and Devon bank in Chicago area. They all provide financing nationwide and their contracts as usually Shari'ah compliant, they have Shari'ah councils on board. If these fail, the alternative is to have what is called land contract. It is a seller finance contract whereby you agree on interest and you can consider the total payment as a price rather than price plus interest. Of course from the legality point of view it is interest-based. Since the property is not for necessity use as a residence, it is not possible to benefit from the Fatwa that allow conventional mortgage if Islamic finance is not available.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Shiraz

Sent: June 7, 2009

Location: Canada

**Question: Providing Islamic house finance from interest loans received from conventional lenders**

Salam.

In Canada, there is no Islamic banking so far. There are some Islamic financial organizations, but the problem is that most of them are taking money from non-Islamic financial organizations. So people criticize Islamic way of financing by saying that although agreement between Islamic Financial Organization and lender is free from interest, the agreement between Islamic organization and conventional banks / financial organization is still based on Interest.

The problem becomes more complicated as these Islamic organizations do not show their own agreements with lender.

In such case what is responsibility of lender? Can he proceed as at least his own agreement is interest free?

Second, there is very common statement going on in Canadian Muslims which is that any power of sale house or foreclosure house (which is owned by bank due to previous defaulters) is completely halal as long as you are taking mortgage from the same bank who owns the bank.

Please, clarify this point as how comes it become permissible in such scenario as mortgage is still conventional and interest based.



Regards

Shiraz.

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Shiraz

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

For the first point: it is wrong to ask where these Islamic org get their money from. If they are doing Haram in the way they get, it is their sin not that of persons who use their facilities. You should not interfere in what other persons do as that is none of our own business. Of course we may advise them but the contract between finance provider and you is the only thing literally which matters to you. Besides I know all these org who provide Islamic finance in Canada, get funds from depositors or from conventional banks and credit unions in ways that are Shari'ah compliant. It is a mere false accusation. Remember that there are always crooked persons among Muslims and also among non-Muslims who may cheat finance users.

By the way you used the word lender twice in a wrong way. Maybe you mean finance user instead.

For the second point: your statement is vague there is nothing "power of sale house". If you mean whether it is permissible to buy the house from the bank if the house is on foreclosure, yes it is permissible of course you have to buy it in accordance with Shari'ah not on same conventional mortgage. If you ask whether the bank (Islamic or conventional) has a right to sell when the purchaser stop payment. Yes it has this right.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

-----  
From: Nadeem

Sent: Saturday, June 06, 2009

**Question: Conventional vs Islamic house finance**

Dear Dr Monzer Kahf,

Assalamu Alaykum Warahmatullahi Wabarakatuhu

First and foremost, May Allah reward you for excellent work you have done and continue to do so on Islamic Finance. I often refer to your Fatawa and it is truly a blessing to have you among us in North America.

I am writing to seek your advice concerning the situation I am in. I've read background and differences between conventional mortgages and Islamic financing. But so far I've not seen any opinion on situation similar to mine. Here is my situation and I'll be brief.

1. We are married couple with two children, living in Columbus OH.

2. After a lot of careful thinking and contemplating, we can say that we are in need of a home and have finally decided to buy one.

3. We have done extensive research and looked at both, new and existing homes, Due to current housing crisis it would be cheaper and make sense to go with new home in our city.

4. Almost all the Builders in our area are offering huge discounts if we finance with them. One we might go with is offering 50,000 discount on home price and 1% reduction in mortgage rate.

5. It is not that Islamic Financing is not available, it is but it will cost us huge, 50,000 upfront and then at least 1% higher rate.

6. I've read few blogs but not Fatawa that it is permissible to get conventional loan where seller and lender are same entity, in my case it will be builder.

I've read about fatwa on conventional financing in Second International Conference on Fiqh in North America (Detroit , Fall of 1999 ,chaired by Shaikh Qaradawi.) that when Islamic financing is not available it is permissible to resort to conventional. In my case it is available but it will cost us a lot. I am in dilemma if that applies to me or not.

Also, what is your opinion on #6 above? I'd appreciate your valuable response.

Jazakallahu Khair

Wassalam

Nadeem

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Nadeem

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Ehen we talk about availability of Islamic finance we mean it to be within a reasonable/affordable range of prices, conditions and requirement. When these matters are not available at Islamic finance provider, then we consider that the latter is not available.

On another point, getting finance from seller may be Shari'ah compliant if you make the contract in a way that makes the total face value of all installments as the purchase price of the house.

But if the sale is made say at 200,000 then add interest at 5% and 360 installments of 1000 come to a total of 360,000, this contract is then interest based not sale for a deferred price. This is What the Prophet, pbuh, said in a well-known Saying that read about sale for two prices, cash and deferred, "you get the lower of the two prices or else the difference is Riba."

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Ahmad

Sent: Saturday, June 06, 2009

**Question: Foreclosure**

Salam u Alaykum Br. Monzer,

I have heard that obtaining financing from a bank for a bank owned home (foreclosure) is not haram. The reason for this is because it only involves two parties (buyer a seller) as opposed to traditional financing which involves three parties (buyer, seller and financier).

Please advise your thoughts on this matter

Ahmad

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br.,

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Getting finance from seller is permissible PROVIDED the contract itself is permissible. The way that makes it Shari'ah compliant is when the price is deferred or installments and the sale is contracted at the deferred price. It doesn't matter if this installment price is higher than the cash price and it does not matter if the difference between this higher installment price and the cash price is calculated according to a certain rate, any rate. What matters is: sale is contracted at one price the installment price.

The Prophet, pbuh, advised that if one makes the contract as a cash price and then adds an increment for deferment (of course installment is like that) the difference between the two prices is then pure Riba that is forbidden in the Qur'an and Sunnah. Meaning that even between two parties only there may be Riba if the contract is made as sale for a given price and then add another amount for accepting payment on installments.

The reason is apparent: interest is an increment in a debt. Once you contract a sale, the contract transfers ownership of the house and creates a debt on the buyer. Then postponing payment for increment becomes Riba because it is an increment in a debt!

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

-----  
From: Abdul Aziz

From: Nadeem

Sent: Saturday, June 06, 2009

Location: America

**Question: Islamic house financing is much more expensive than conventional one**

Dear Dr Monzer Kahf,

Assalamu Alaykum Warahmatullahi Wabarakatuhu

First and foremost, May Allah reward you for excellent work you have done and continue to do so on Islamic Finance. I often refer to your Fatawa and it is truly a blessing to have you among us in North America.

I am writing to seek your advice concerning the situation I am in. I've read background and differences between conventional mortgages and Islamic financing. But so far I've not seen any opinion on situation similar to mine. Here is my situation and I'll be brief.

1. We are married couple with two children.
2. After a lot of careful thinking and contemplating, we can say that we are in need of a home and have finally decided to buy one.
3. We have done extensive research and looked at both, new and existing homes, Due to current housing crisis it would be cheaper and make sense to go with new home in our city.
4. Almost all the Builders in our area are offering huge discounts if we finance with them. One we might go with is offering 50,000 discount on home price and 1% reduction in mortgage rate.
5. It is not that Islamic Financing is not available, it is but it will cost us huge, 50,000 upfront and then at least 1% higher rate.
6. I've read few blogs but not Fatawa that it is permissible to get conventional loan where seller and lender are same entity, in my case it will be builder.

I've read about fatwa on conventional financing in Second International Conference on Fiqh in North America (Detroit, fall of 1999, chaired by Shaikh Qaradawi.) that when Islamic financing is not available it is permissible to resort to conventional. In my case it is available but it will cost us a lot. I am in dilemma if that applies to me or not.

Also, what is your opinion on #6 above? I'd appreciate your valuable response.

Jazakallahu Khair

Wassalam

Nadeem

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Nadeem

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

When we talk about availability of Islamic finance we mean it to be within a reasonable/affordable range of prices, conditions and requirement. When these matters are not available at Islamic finance provider, then we consider that the latter is not available.

On another point, getting finance from seller may be Shari'ah compliant if you make the contract in a way that makes the total face value of all installments as the purchase price of the house.

But if the sale is made say at 200,000 then add interest at 5% and 360 installments of 1000 come to a total of 360,000, this contract is then interest based not sale for a deferred price. This is What the Prophet, pbuh, said in a well-known Saying that read about sale for two prices, cash and deferred, "you get the lowest of the two prices or else the difference is Riba."

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin  
Wassalam  
Prof. Dr. Monzer Kahf

---

From: Abdul Aziz  
Sent: Saturday, July 25, 2009  
Location: Baltimore, MD

**Question: Islamic finance is more expenses**

Dear Dr. Kahf:

I am interested in refinancing my house hopefully with Islamic Financing. I have checked some Islamic Financing companies. They have all sorts of contracts which make it look as though it is Islamically Ok. Further research revealed that

1. These companies in the end sell the mortgage to other large companies that may be dealing with interest. This means that Islamic Financing companies are only servicing the loan or packaging it in way that it looks acceptable, but the source through which money is available may be involving interest.
2. They charge higher rate than the market rate.

My question is if these companies are really providing a 'halal' transaction. Is there a company you know that is free of all these problems?

You have referred to fatwa by Second International Conference on Fiqh that was held in Detroit in the fall of 1999. How can I have access to this fatwa?

Jazaka Allah Khair for your efforts and time.

Abdul Aziz,

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Abdul Aziz

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

1. Whether finance provider gets money from other source and on interest or not is none of your business. This is their business. What matter to you is that the contract between you and the company is Shari'ah compliant? If they do only packaging and reformulating that is well and good, in fact it means that they are really caring about your faith and they give you a contract that suits your objectives. Do you ask the supermarket where you buy bread and food whether it finances its purchases on interest? Additionally, some of Islamic finance providers use the "lease purchase" contract; this is permissible to resell to another company/bank because it is a sale of real estate not a loan. What is prohibited in Shari'ah is sale of loan at different than face value. Besides some Islamic finance providers are non-Muslim and they do not claim that they are Muslim institutions. You can take from them Islamic contract on Murabahah or Lease/Purchase regardless of their sources. Those that claim they are fully Islamic and have Trustful Shari'ah boards/advisors do not resell their Murabahah

contracts. Unfortunately there are also companies that use Islamic names and do not provide Shari'ah compliant contracts.

2. I do not give personal judgments on companies or individuals and I do not recommend or suggest any company. If you ask me about a specific contract or condition in a contract I can answer your question if I know the answer.

3. If a provider of Islamic finance is not offering rates within competitive range, I would consider it as non-existing in my search for finance/refinance.

4. Unfortunately, although I was in that conference of 1999, my copy of its decisions in hard not soft and I don't remember where I placed it. Try to reach SSANA (Shari'ah Scholars Assn. of North America) or Shaikh Muhammad Qatanani of New Jersey or Shaikh Safwat Mursi of San Francisco, they may have the text of it.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Salma

Sent: Friday, May 27, 2011

Location: California

**Question: Islamic home finance at additional cost**

Asalamu Alaykum Dr Kahf,

We have a question for you that we would appreciate your opinion on.

My husband and I recently purchased a home in Southern California. We initially were going to go with an Islamic based home financing program in Michigan (through University Bank) because they were an Islamic option and had the best rate. Because our real estate agent had contacts with Bank of America, we also had gone through the mortgage process with BoA but we had decided to go with University Bank because they were Muslim. We paid 5K into escrow when we signed the contract with the seller thinking that we were set with University. A few days before closing, University Bank said they had to charge us an additional 7,000 fee that they forgot to add into the initial estimate. We could not afford this additional cost and so we decided to go with bank of America who honored our low rate with University.

Should we have backed out completely from the purchase of this home? We would have lost 5K, but financially that would only set us back one month.

Our intention in buying this home was because we are living in southern California for the next 6 years (due to my husband's job) and it is cheaper to buy than rent. We are trying to pay off as much as we can as quickly as possible and when we have money saved up we want to refinance with Ameen Housing in the Bay Area.

JAK

Salma

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Sr. Salma

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I don't see that you did wrong under the circumstances. Adding a new charge after they made a commitment with you is not ethical on their part.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Imad

Sent: Monday, August 17, 2009

Location: Stockholm, Sweden

**Question: House financing in Sweden**

Dear Dr. Monzer Kahf,

Assalamu Alaykum wa Rahmatullah. I live in. Like any other Scandinavian cities, housing is an extremely difficult thing in Stockholm. Since I have finished my studies a few years ago, I have been facing severe difficulties related to housing. As a student, I had the access to the student housing, but, I cannot live in those houses anymore as I have already graduated. In Stockholm, one has to get an apartment from kommune (I.e. city council). Alternatively, one can get a place on so-called "second-hand rents", means it is originally allocated to someone else, but for some reasons, it is rented temporarily to a new tenant. These kinds of renting are usually only available for shorter terms, 6 months, 1 year or so. I have tried to get a kommune flat (I.e. city council flat) since long and after more than one year of waiting, my schedule now is 526 as of last week of February. I started with 600+ when I registered. This means, after 526 people get a flat, then I will get one from kommune (I.e. city council). So, I virtually gave up on this option.

In the beginning of 2008, I have stayed in a private apartment where I could stay from January 2008 until end of April 2008. After that, I stayed in a second-hand rent apartment in Stockholm until 31 March 2009 this year. Officially, I was staying illegally in that rented apartment. The owner showed me as his cousin and I am staying in this apartment as his guest, while paying more than the usual market rate. I also have to use his name as c/o for my address purposes. This is not a very good feeling to say the least. Moreover, when I came in that house in May 2008, I had to give him 3 months of advance rent payment, which I can only get back after I leave. I left this place in 31 March 2009 and after that, he would check the apartment and keep some money for renovation, which may have been caused by us. My experience since 2007 tells me that usually they use at least 2 months of deposit and renovate the house. As a second-hand renter, I basically have no say and accept his demands that he needs to use my deposit to do the renovation. This essentially means that I would have to pay at least a total of 14 months of rent for the year 2008. The same had happened to me in 2007, when I basically paid almost 15 months equivalent rent for staying in such an apartment.

Now, I needed to get an apartment from 1 April 2009 and I did not feel very good to go through the same process. Moreover, generating money for the deposit is also very difficult, which I have lost mostly in my last two experiences. On top of it, after changing apartment every time, it takes a month or two to settle down in new place, which really takes away a lot of energy and time. With my wife and kid, this has very stressful for the last few years.

I actually am not able to perfectly describe the hassle and difficulties that we are going through every year due to this situation. One solution that I could have done many years ago, was to get a bank loan for this, but refrained from doing so. Now, after my son has grown up and we have many things at home that it is virtually impossible to move at least once every year, in some cases even two times a year.

So, I need your suggestions and advice regarding this. I have been in touch with Islamic Bank Bangladesh Limited, Islamic Bank of Britain, Bank Islam Malaysia, but none could give me a loan that I can use here in Sweden. Only option for me was to take a loan from here. I have been waiting for Islamic bank to be established in Sweden. But, it seems that it will take time, so I took a loan from a bank in Sweden and bought a house in April 2009. I intend to move to an Islamic house loan as soon as there is an option in Sweden.

I have tried to read many resources on Islamic finances and tried my best to ensure that I am doing any haram thing by taking this loan. So, I would like to hear from you if this was a correct decision from my side. Jazakallah Khair.

Wassalam,

Imad

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Imad

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

It seems to me that the situation you described is a typical case for applying the Fatwa on taking conventional house finance for Muslim families in Europe who cannot reach Islamic finance.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

-----  
From: Lamya

Sent: Tuesday, October 06, 2009

Location: California

**Question: house finance with conventional loan**

Aslam Wa Alaykum Dr.

I want to buy a house in California and I found a good loan, but I am not sure if I should go with it or I should find an Islamic loan. According to Sheikh Al Qaradawi, it is O.K to use the conventional loans to own a house. I am trying to get different opinions just to get peace of mind. Please let me know what you think as soon as u can.



Jazakum Allah Khair

Lamya

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Sr. Lamya

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Please notice that the Fatwa of Shaikh Qaradawi is conditional. That is: Muslim families who need to buy homes for their own residence in America and other Western countries may resort to conventional mortgage IF ISLAMIC FINANCE IS NOT AVAILABLE. Now there are several companies that provide Islamic finance. If they charge above the market range or if they require conditions that you cannot fulfill then you may resort to conventional borrowing because these circumstances mean that Islamic finance is not available to you.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

-----  
From: Haider

Sent: Thursday, October 15, 2009

Location: Pakistan

**Question: Home finance from an Islamic bank**

Assalamu o Alaykum

Dear Sir

I want to take advice in matter of the home loan which I borrowed from the meezan bank Multan Pakistan. The bank is charging me the interest in the name of rent at very high rate. To the installment is beyond my capacity as I am a salaried person. At the time of applying the bank told that your installment should be one third of your pay but it is now exceeding the pay rather this is half of my pay and I am in very difficult situation. Kindly give me advice in this regard and oblige.

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Haider

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I don't understand why the rate have changed, did you have a contract with variable rent? You should have been careful the moment you made your contract. Variable rent contracts allow the bank to increase the rent within certain limits. In this case you may need to re-negotiate the rent with the bank or any other Islamic banks instead of this one. But remember conventional bank also give variable interest rates on housing.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam  
Prof. Dr. Monzer Kahf

---

From: Sharafe  
Sent: Thursday, January 07, 2010  
Location: Canada

**Question: ISNA House financing scheme**

As-salamu Alaykum Sheikh Monzer,

I pray you and your family is constantly getting closer to Allah (swt).

Alhamdulillah Iana Financial is progressing - slowly but surely :) ([www.ianafinancial.org](http://www.ianafinancial.org))

InShaAllah we'll be handing out our fourth interest-free loan within the next couple of days and our monthly-donor pool is gradually increasing Alhamdulillah. Make duah. Also, send us your advice and comments.

I'm curious about the following Islamic Housing scheme by ISNA Canada, [www.isnahousing.ca](http://www.isnahousing.ca)

I'm not sure if you reviewed this, but I'm particularly wondering about the following clauses:

1- "B) Monthly occupancy charges (rent) will be based on comparable housing units and their relative costs, and these may be reviewed every year."

I see in the yearly revision an exploitation of Muslims in comparison with banks that makes the review every 5 or 7 years, why do we need to make more profit from Muslims than the conventional banks from their customers?

2- "F) Members are not allowed to rent, lease or sublet all or part of the housing unit."

This one seems unfair. If I own part of a home, and am wholly responsible for the home; why can't I rent out all or at least the part of it that I own?

3- "D. The transaction of sale between the IHC and the Occupant member will be based on the original purchase price of the housing unit."

I don't understand this, the sale should be based on real-market-value...regardless of who is buying, and that could mean a profit or loss either way. I'm I misunderstanding?

4- "E. All expenses associated with the transfer/sale of the housing unit will be the responsibility of the member and not of the IHC."

Again, I don't see why these expenses aren't proportionate?

5- "F. If a member wants to transfer/sell his/her housing unit within one year from the date of acquisition by the IHC he/she will be required to pay a penalty of \$5,000.00."

This clause seems unfair as well - especially as there is no explanation behind it.

6- "G. Beginning after 12 months from the date of acquisition of the housing unit in a calendar year, the member will have to buy \$5,000.00 worth of shares or 10% of the purchase price of the housing unit, whichever is less, every year."

Is this allowed to be stipulated in the contract?

7- Lastly, I heard - I'm trying to confirm this with ISNA - that after determining what the average rent is in the area, ISNA will add an extra \$200-\$300mn to that value before determining the proportionate rent payment, if this is true, is this allowed?

Jazaka Allah Khayran ya sheikh,

Sharafe

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Sharafe

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I am glad to hear that AIANA is doing well and thanks for informing me.

Please see below for answers

1- This seems fair since rent prices may increase or decrease over time.

2- It is wrong and also a Shari'ah violation to have this condition. However, civil and common laws allow it. I can see the worry about it. . For assurance of monthly payment. Instead they may ask for additional guarantee in case of renting out.

3- I agree with them not you. The IHC is not a real estate company. It is only a finance company. Finance companies earn only from financing not from price variation. This condition assures the purchaser that all price rise is his. This makes it competitive with conventional house finance.

4- Again they are right. As a finance org. it is concerned about having a given rate of return for its investors. If it bears any of these expenses it is going to raise the gross rent to make up for what it spends and even take profit on that too. All expenses can one way or the other is charged to the customer from Shari'ah point of view. No problem.

5- Agree, NO justification for this at all.

6- It is permissible although it may be a little harsh. The IHC customers are limited to those who are upper middle class who can pay for the house in medium term rather than 25-30 years.

7- Theoretically it is allowed if it is disclosed to the customer and he/she accepts but again it is exploitative and should not be there. Prohibition comes only if the increment is excessive or not disclosed and consensual.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Mohamed

Sent: Sunday, January 31, 2010

Location: United States

**Question: Mortgage**

Dear Brother Monzer,

First of all, BARAKA ALLAHOU FIK for your kind answer.

Second, here is the context:

I'm French/Tunisian citizen who works and lives in France (Lille/North of France). One year ago, based on my understanding of Sheikh al Qaradawi and the Imam of my mosque interpretations of home mortgage, I bought a home in Tunisia. The bank is located in Tunisia and the loan is based on interest. (My wife and I brought almost 50% of the home cost). Tunisia is my home town and having a home there was important at least for my retirement (INCHALLAH)

My understanding was that since it is my first home, given the inexistence of any Islamic bank (from a business to consumer perspective) in Tunisia or in France, I would be able to do so since I comprehend owing a home as a necessity.

At the same time, I live in France where I'm renting an apartment. The apartment that I'll be renting (once I'll get back next June InShaAllah) will be around 800/850 €/month (equivalent of 1120 US \$/1190 US \$) and there is a high probability that I'll spend the rest of my academic career in France (so the next 26 years INCHALLAH).

In France, I heard that one bank may open an Islamic branch but this is not 100% certain for the moment. I tried to contact the Islamic Bank of Great Britain about having an Islamic loan in France but got no answer and thought consequently that it is hard or unfeasible.

Third, here is my question:

Given what precedes, am I allowed to buy a home as my main residence in France through mortgage home with interest?

Finally, thanks so much for you accepting to answer my specific question

BARAKA ALLAHOU FIK

Mohamed

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Mohamed

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I believe in the Fatwa of Shaikh Qaradawi in this regards. It seems to me that you did not put it in its right place. It applies to buying your house that you intend to live in. 26 years later is too long to discuss at present and make the Fatwa for, isn't? This house in Tunisia could have been finance in accordance with Shari'ah as there is an Islamic bank in Tunis (I understand that a second one is either already established or about to open). Now that is a past and it is not your house of residence. It is either an investment house if you are renting it or it is like a vacation house that is used only for a short period in the year. I suggest that you make your best to pay it off the soonest.

Your main residence is the one that you intend to buy and if you do not find Islamic finance for it you may buy it on conventional mortgage in application of the said Fatwa that I agree with.

On the other hand, if this house you bought in Tunisia is kept for your use when you go there and/or meanwhile a member of the family (e.g., parents or siblings) uses it or it is kept unused most of the time but only when you go to visit in Tunisia I look at it similar to a vacation house and it is not subject to Zakah. If it is rented I consider it an investment property and it is subject to Zakah on its market value to be included into your other Zakatable item every lunar year at 2.5%.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: AbdulAziz

Sent: Wednesday, February 17, 2010

Location: Canada

**Question: house financing in Canada**

Alslamu Alaykum Wa Rahmatu Allah Wa Barakatuh

Dear Dr. Monzer Kahf,

I am Dr. Abdulaziz living in Canada, I did work hard last few months to get house according to Islamic rule and Shari'ah law and after months of negotiation with Canadian finance institution we end with this agreement which I hope it will follow the Murabahah sales contract.

Please, the contract or agreement was attached to this email for your consideration

So I am not sure that this transaction will be compliant with Shari'ah Law and for this reason I did take this to you prior to any engagement with the others.

Kindly for your opinion and advice and if there is any cost for Shari'ah advice please don't hesitate to let me know.

Jazaka Allah Khairan

Regards

Abdulaziz

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Abdulaziz

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

In general it is very good that you could convince a conventional provider to go this route. There are a few points that seems unbalanced and rather contradictory especially the tenancy in a sale and the liquidating damage. \if you are willing to give them that much of unbalanced concessions it should take a different form such as penalty, suppose you die during the five year, can your heir carry this contract? The laws in America do not allow such concession in house finance because they are too much. In Shari'ah the creditor is allowed actual damage but nothing more.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

-----

Alslamu Alaykum Wa Rahmatu Allah Wa Barakatuh

Dear Dr. Monzer Kahf,

I am Dr. Abdulaziz living in Canada, I did work hard last few months to get house according to Islamic rule and Shari'ah law and after months of negotiation with Canadian finance institution we end with this agreement which I hope it will follow the Murabahah sales contract.

Please, the contract or agreement was attached to this email for your consideration

So I am not sure that this transaction will be compliant with Shari'ah Law and for this reason I did take this to you prior to any engagement with the others.

Kindly for your opinion and advice and if there is any cost for Shari'ah advice please don't hesitate to let me know.

Jazaka Allah Khairan

Regards

Abdulaziz

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Abdulaziz

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

In general it is very good that you could convince a conventional provider to go this route. There are a few points that seems unbalanced and rather contradictory especially the tenancy in a sale and the liquidating damage. If you are willing to give them that much of unbalanced concessions it should take a different form such as penalty, suppose you die during the five year, can your heir carry this contract? The laws in America do not allow such concession in house finance because they are too much. In Shari'ah the creditor is allowed actual damage but nothing more.

My comments are attached on the contract itself

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

-----

Dear Prof. Dr. Monzer Kahf,

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh.

I am still in negotiation with the Vendor about the Murabahah sale agreement.

Kindly, I did attach the agreement after they answered your inquiries and their comments in (blue) and your comments in (green), I am waiting your reply to sit with them again this week.

Please make Duaa for me to get Halal way and follow the straight path.

Jazaka Allah Khairan

Regards

Wassalam

Dr. Abdulaziz

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. AbdulAziz

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Please receive my comments

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

-----

From: Fadumo

Sent: Tuesday, February 23, 2010

Location: Norway

**Question: Buying a house on interest in Norway**

Asalamu Alaykum

My name is Fadumo and I live in Norway with my 4 children and my husband.

I work as a school teacher. My income is enough.

Housing here in Norway is hard We have moved a lot and we are renting a house right now and have done that the whole period we have lived here 10 years .

My question is there are no Islamic banks here in Norway and I want to buy a house but am not sure if it's halal.

Because off the interest off the loans from the bank.

Q 1. Can we buy house?? There are a lot of Muslims who have bought houses but I just want to be sure if it's halal according to the Shari'ah law.

And if we can't buy a house as a loan from the banks here what other options do we have?

Q 2. Do you know of other Islamic banks in other countries that can help us?

Waiting for an answer thank you and Asalamu Alaykum

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Sr. Faduma

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

In my opinion your case is a case of substantial need, with lack of Islamic banks, it becomes a typical case for the Fatwa that permits using conventional interest loan from a bank to buy a house. A House is needed and Shari'ah intention is not to deprive Muslims from owning. There is the Fatwa of the Shari'ah council of Europe and of America in this regards.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Rana

Sent: Tuesday, February 23, 2010

Location: Winnipeg MB, Canada

**Question: Islamic financing Offered by conventional credit union**

Assalamu O Alaykum,

I am writing this mail from Winnipeg MB, Canada. Last week we had conference on Islamic mortgage, organized by Assiniboine credit union. Yours name was in the list of Islamic finance advisory board.

Now here is my question and concerned. Can you help me to understand about this contract to make it Islamic (or basic principle those were adopted from QURAN & SUNNAH).

By generally looking not only me for most of us this is looks like regular conventional mortgage. Because with this Islamic mortgage Muslim applicant will pay same amount of interest that is paying a regular home buyer (non-Muslim).and almost all conditions are same except Muslims are bound to pay down payment more that is 20% of the cost of house.

I will be appreciated and thankful for yours favor and information. If you answer as soon as you can that will be very nice of you.

Once again JAZA KUM ALLAH KHAIRAN.

Was Salam.

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Sr. Rana

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Yes, this scheme is Shari'ah compliant. Islamic finance does not mean it should be based on sharing, it can be also based on leasing as is this program. It is exactly when you rent a house and the lessee buys from you a small percentage of it along with each payment of rent. The rent declines and the part he owns increases until he buys it all. The requirement of 20% down is only because they were afraid of the success of this scheme. The nature of the contract is different although the rent can be equal to the rent of interest. This is a good scheme and I commend Shaikh Hosny who was able to negotiate with this credit union a lot until we reached this contract. I reviewed it all.

You should remember that Islamic finance may be on fixed return like this (rent) or it may be on venture capital basis. Bot in both cases it has charges that make the profit of the other party.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Sarim

Sent: Friday, February 26, 2010

Location:

**Question: Home financing in Canada**

Greetings Dr. Monzer;

I hope all is well for you. I had previously contacted you with regards to assistance in Islamic home financing product we are working on. In due time I will be giving you further information in terms of the product structuring and may require your advisory services. In the meantime, I wanted to discuss with you few questions:

-In terms of permissibility in Shari'ah, what are the parameters and is it ok to have a compliant product I.e. front end contracts are either Musharakah or Ijarah and back end are interest based. For example, Guidance Residential in US has this sort of facility from Fannie Mai and Freddie Mac.

Perhaps if you feel appropriate to discuss this over phone I can call you at convenient time.

Regards,

Sarim

**My Answer:**

Bismillah al Rahman al Rahim



Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Sarim

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I do not make or accept the distinction between Shari'ah and Shari'ah compliant. If a contract is Shari'ah compliant it is Shari'ah based and it is acceptable. You cannot make a Shari'ah based contract that hides interest in front or in back and the guidance contract is not that kind. What you should realize is that Shari'ah allows financing as a profitable transaction as long as it is not based on lending. This is simply because a debt does not create increment and does not deserve any obviously. While financing through deferred or installment payment or through Ijarah creates value and it is therefore permissible to earn through it. The difference may not be so obvious when you finance in retail real assets or sales but it is so obvious on the macro when you find that most inter-bank transactions are not permissible in Shari'ah.

It will be a pleasure working with you on developing suitable financial products for Muslims in America and if you have other questions you may call me on the same phone number I gave you earlier (it is on these emails below) but I always prefer email.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Ali

Sent: Tuesday, July 06, 2010

Location: Britain

**Question: Islamic finance is more expensive than conventional**

AsslalamuAlaikum

I and my brother live in our current home with our parents. We are married and have started families. In 5 or 10 yrs. time we will need another house therefore have taken out a conventional mortgage on a house and rented it out. The rent itself covers the mortgage most of the time. At the time there were no viable halal mortgages. Now the Islamic Bank of Britain offers a halal mortgage at 4.75% rent, this is very similar to the interest charged by conventional banks. So in principal I could switch to the Islamic Bank. But they have a clause to say they can increase the rent by 2% to 6.75%. This is probably if Government interest rates go up. If I do take this up and the rent goes up then I would be paying £20,000 more than a conventional fixed mortgage. I know that interest is haram, but don't know what to do. The 2nd home is not a necessity now but will be in a number of years, and the reason we bought it now is that it will save us alot of money than buying it in 10 years' time. Should I go for the Islamic Mortgage at a potentially much higher cost or keep with the non-Islamic mortgage, or sell the house and save ourselves from Riba and hope that in 10yrs a comparable Islamic mortgage is available. Please let me know your views.

Wassalam.

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Ali

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I don't see any necessity, as you said, to buy now. Besides I suppose that Islamic and conventional in Britain are about the same from the point of view of rate. Search with other Islamic banks and finance company for a fixed rate, may be this bank itself has a fixed rate program too. I know most conventional banks in Britain stopped giving the fixed rate on housing except for a short period of 5-7 years, check on all these other options and negotiate with the Islamic bank

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Farooq

Sent: Wednesday, July 21, 2010

Location: Edmonton

**Question: ISNA Canada House financing model**

Assalamu 'Alaykum Dr. Kahf,

I know that you must be extremely busy, but I need an answer to a rather urgent/important question. My wife and I have four days to decide whether or not we will be purchasing a home here in Edmonton and have considered working with ISNA Canada's housing cooperative for the home's purchase. I had initially thought that the housing cooperative divides profits and losses, but as it turns out, they don't. I've attached their rules and regulations to this email, but here's what the clause states:

The transaction of sale between the IHC and the Occupant member will be based on the original purchase price of the housing unit.

My discussions with their head office have indicated that if a member were to resell their home, the cooperative would first, sell the home back to the member at the price the home was originally purchased...the member would, in turn, resell the home on the market thereby incurring 100% any profits or losses.

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Farooq

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I am glad to know that they make this change in their contract. In fact I discussed it at least twice with Br. Nasim that they should make this correction.

THIS CONDITION IS AN IMPORTANT IMPROVEMENT in the contract, it is based on an open promise to sell that gives you the option to exercise it at any time not only when

you sell but also if you decide to accelerate. It is fully Shari'ah compliant and it is a good improvement in the contract. The IHC is a finance company not a real estate trader. They should give this promise and leave that matter that relates to price of property and changes in it to you only.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

-----

1. Is this sort of arrangement invalid (wherein risk is not shared between the two parties)?
2. If it is valid, does it conform to the 'spirit' of the law? In other words, has the agreement been worded such to frame this clause in permissibility, but in effect, run counter to the 'spirit' of the prohibition of Riba?

A prompt reply would be greatly, greatly appreciated and result in several du'as for the good doctor :-)

JazakAllah Khairan,

Wassalam,

Farooq

P.S. A note: previously, when Ansar Co. was under the direction of ISNA Canada, the resale clause read as follows:

As a result of completion of 100% ownership or sale/transfer of the housing unit, any gain or loss realized, will be divided as follows:

1. 90% to the member and 10% to the Co-operative, if at that time, the member had accumulated shares equivalent to more than 50% of the cost of the housing unit;
2. 80% to the member and 20% to the Co-operative, if the member had accumulated 50% shares or less of the cost of the housing unit.

This gain or loss will be shared after making an adjustment for authorized improvements, expansions and certain legal expenses incurred by the member.

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Farooq

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Yes, I am saying it is better for the IHC to avoid sharing the price risk, the promise to sell does not remove their factual ownership and their bearing of the risk of destruction. This risk is what relates to ownership but price risk can be avoided.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

-----

Dear Dr. Kahf,  
Assalamu 'Alaykum,

Many thanks for your prompt reply. For clarification: are you suggesting that it is better for there to be no shared risk between IHC and the "member"?

Wassalam,  
Farooq

**My Answer:**

Not that but it is different kind of contract as sharing applies only to Musharakah not to sale or leasing

Prof. Dr. Monzer Kahf

---

From: Danial

Sent: Saturday, August 07, 2010

Location: Canada

**Question: Islamic Mortgage**

Assalamu Alaykum,

I am looking to buy an apartment in Vancouver, Canada. I have enough cash to put a 50% down payment from the asking price which is \$260,000. For the rest of the 50%, what type of mortgage would you recommend? From what I read about "Islamic mortgages", many of them seem to be Ponzi schemes designed by non-Muslims to put wool over our eyes. So do you know any type of "Islamic mortgage" that is truly Shari'ah compliant from any known financial institution in Canada? Please let me know because I have found one "Islamic" mortgage only to find out there was a fatwa saying it is nothing more than a RIBA-based mortgage.

Jazakallah Khair

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Danial

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Of course there are differences of views about Islamic finance and there are many view given by traditional Shari'ah persons such as Imams who hustle to give opinion without knowing what Islamic finance is. There are also claims of Islamic finance but the reality is only traditional mortgage. All these exist and it is your own Ijtihad that you must exercise in finding the knowledgeable Mufti.

To come to the subject: what I am confident you realize is that Islamic finance is not giving loans and it is not free. There is going to be profit realized by the finance provider and this profit has to be at the market rate too otherwise its provider will be driven out of the market.

Islamic finance is founded on the basis of sale, lease or sharing. It does require the finance provider to own a real thing not only a debt. And once it owns (even for one split second) it can sell for profit. Islamic finance provider is not required to take a price risk. Only ownership is required to justify profit. The profit is caused by the difference between cash price and deferred price that is recognized in verse 2: 275. This difference is also a part of real life.

What is the difference between Islamic finance and interest-based when the latter also finance a real commodity like a house? (Notice conventional finance may also finance pure debt such as extending a debt to a new maturity). The difference become only in the contract that say buy and sell or buy and lease/sell. Of course this difference has its implications of real ownership for a split second.

Finally, how do you know whether a contract offered here in North America is Shari'ah compliant or not? Two criteria: 1) does the contract itself (not the advertisement info and papers of propaganda) say: buy and sell or buy and lease/sell or rather it says loan and interest; and, 2) do you trust its Shari'ah advisor?

This is what you need to check.

To my knowledge the following fulfill these criteria: Islamic Housing Cooperative, Ansarco, and credit union Assiniboine of Winnipeg (I contributed to drafting this contract with their lawyer), there may be other companies too that you need to apply the two criteria to find out.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Reshad

Sent: Tuesday, August 31, 2010

Location: California

**Question: Shari'ah Compliant Home purchases**

Assalamu' Alaykum,

My name is Reshad, formerly from southern California but now living in the Bay Area. Masha Allah I've known Ammar through Hawthorne and Yaman through MAS Orange County for some time. May Allah protect and reward them both. I've also read up on some of the material you have published and may Allah reward you for your work. I am writing to you on the subject below because I highly value your opinion and expertise on this subject.

Recently I have been looking into the prospect of purchasing a condo while I live here in the Bay Area with my wife. I was introduced to Guidance Residential and the idea of Shari'ah compliant home purchases. Alhamdulillah I've heard about these organizations and other (La Riba) and have always been in favor of Shari'ah compliance. However, after learning about their practice of co-partnership vs. interest based loans, at some level they 2 practices almost seem the same. The overall amount a person pays could even out in the end. Of course Allah has made business transactions halal and interest haram (as stated in the Quran).

So the question arises as to what makes a transaction Shari'ah compliant. I've tried to do my own reading on fatwas and sites (ex. Qaradawi's fatwa allowing interested based loans in need-based situations, etc.)

My goal in speaking with you is to understand the concept of Shari'ah-based financing and economics further. Many people I know and deal with on a daily basis are skeptics of the "Islamic" way of things. And Alhamdulillah I do my best to convey the message and correct practice of Islam as much as I can. When it comes to economics and finances I am less versed in this subject.

I would love the opportunity to speak with you over the phone or email or even if you just have a few references for me that would be greatly appreciated.

Jazaka Allahu Khair and thank you for your time.

Assalamu 'Alaykum,

Reshad

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Reshad

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

It is not easy to explain a two year study in an email. Basically finance for return is permissible in Islam what is prohibited is a return on debt (or loan because it is a debt). You do not expect that Shari'ah should require people to give you free finance. Finance can be though the concepts of sale, lease or partnerships.

If you want to call me I can be reached on 949 502 7545 from now until 1 pm today.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: RSMRIN

Sent: Thursday, September 30, 2010

Location: New Zealand

**Question: Home loans questions**

As Salam Alaykum Wa Rahmatullah wa Barakatuh

Respected Scholar,

I live in New Zealand for the past 10years and have got four children.

Since migrated here living in rental property and recently the rents have gone up very high and I pay \$365 a week which is very high.

I want to buy a home but cannot because there is no Shari'ah-based bank and no investment company that can provide home loans Shari'ah based.

In this circumstances need to know I am allowed to take loan from the bank but I land up in paying interest which is Riba and haram

Please do suggest according to Quran and Sunnah what is best for me and for my family

I pay huge rent like I am paying off some one loan, mortgage  
Jazakallah

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br.

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

This matter was discussed by more than one group of scholars in Europe and America since 1999. The result is: whenever there is no Islamic finance available and since housing makes a great importance to Muslim families who live in the Western countries, this matter is then treated as if it were a full necessity that calls for relaxation of the prohibition according to Shari'ah. This means that for these families who need housing and renting creates difficulties for them, it is permissible to go through the interest based mortgage.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Maliha

Sent: Thursday, October 28, 2010

Location: Pakistan

**Question: Buying a home in Canada**

AOA

I got your e-mail address from internet. Actually I am from Pakistan and a Muslim having common problem that I don't have enough money to buy a small house/condo to live in. I am a single mom and got divorce after 16 years of marriage here in Canada. I have two sons 15 and 17 with me. I have their full custody because their father went back home and was not interested to have them.

I studied here ECE and then one year Special Needs in college and now a days I am doing supply job which is not enough to run daily expenses. I got some money from my job from my parent as my share in property and I want to have a small house here, because I am not getting any help from state and I have to pay my loan too. Now a days I am living in a building with a smoking and weeds environment. My elder son ruined one of his academic year before as he was indulged in bad activities then I contacted his uncle and father in Calgary (his father was in Calgary with his brother then waiting for his nationality) and almost forced them to take him at least one year to change his environment. He went there got admission in school and got 90% marks in first semester and then his father in December his father decided to go back for second marriage and his uncle was not ready to take him without his father so my son did not come to me in Mississauga Ontario he moved to a basement, living by himself. It was so painful for me and I requested his father to go and check there, which he refused and then I contacted

police there to ask for help as he was not 18 and my assumption was that they should force them to live with his father or mother and they should stop his father to leave the country after allowing his son living like this, but all in vain.

He got full time job at Tim Horton's, left the school, again in smoking and weeds and bad friends and I was here praying all the time and forcing him to come back. I August 2010 he suddenly decided to come and live with me. Now he is here, going to school with university subjects but having kind of care free company again, smoking( don't know about weeds or other things).

I know mortgage is not halal for us but I contacted in ISNA too. They introduced "halal mortgage" for us almost on double rates which I can't afford as I have only 50 thousand dollars from back home which I can give for down payment. I need your advice what can I do and what should I do? Am I allowed to have a small house to live in?

I will wait for your positive response.

Regards

Maliha

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Sr. Maliha

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Whenever the Halal mortgage is not available (either it does not exist, or it exist but its conditions are not affordable or exploitative), Muslim families may go for conventional mortgage if they need housing. The second International Conference on Fiqh that was held in Detroit in the fall of 1999 issued a resolution on this matter as I stated above.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Hashem

Sent: Monday, November 29, 2010

**Question: Home purchase financing**

Salaam Dr. Kahf,

I appreciate the most valuable presentation in Islamic Finance you gave during the MAS convention yesterday.

I have missed out one notion on "home short pay". What is the reason the Shari'ah would illegalize such transaction.

On another note, I'm in the process of purchasing a home. Is there any Islamic financial institute such as Lariba, Guidance, Devon...etc. that claim they are Shari'ah compliance but they are not? In other words, can we go with any of them without any violation?

Thanks in advance in answering my questions

Keep up the good work!



**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Hashem

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

If you mean by short pay short sale, I did not mention this in the lecture but I believe it is permissible because it is done normally with approval of the lender.

I do not give direct judgment on any company. I can give you the criteria and you check on your own: 1) check the contract itself if it says loan and interest it is then Haram although they may call it any other name but if it says buy and sell or alternatively buy and Musharakah or Ijarah or occupancy fees or any other words than interest and loan then the likelihood it is permissible exist. If you are not shown the contract itself or told that the company uses standard contracts (standard contracts are interest based), it is most likely not permissible; and 2) ask whether the contract itself (not the information and propaganda extracts from it) was approved by a Shari'ah specialist and who is he? If you trust the knowledge and honesty of that person condition two is fulfilled

I know that some companies offer interest/loan based and call it other names they claim it is Halal but in fact it is not.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Muslimah

Sent: Saturday, December 11, 2010

Location: Singapore

**Question: House financing and Providence Fund**

Hi

Me and my Fiancé have a few questions involving Riba and hope that you can help.

1) In our country, a portion of our monthly salary is deducted to be put into the Central Provident Fund which does accumulate an annual interest of 2.5% (This deduction and accumulation of interest is compulsory for all persons legally employed in the country earning more than \$500 and the funds collected are invested by the government. The investment are done without us having any power over where or how it is done.). Our money which has been set aside in this fund can be used for purchasing our homes and paying for our medical bills. Thus my questions are as follows.

a. Will we be responsible for this accumulation of interest and be considered to have sinned in regards to the laws of Riba?

**NO, you are not committing a sin by working in this country and it is not you who is dealing in Riba, it is the Providence Fund management. This deduction represents a saving to you for old age, it is not a bad idea at all, rather it is an idea that Shari'ah encourages. The government**

regulates and uses this savings in a way that is not Shari'ah compliant, this is not your sin. If the government credits to your account the actual profit from using these savings and the use is not in Haram area (say in construction of residences) while it guaranteed minimum of 2.5%, it is permissible to take these additives along with the principal amount deducted from your salaries. But if the government takes it from you and just gives you 2.5% interest considering it a loan to the government, this interest is Haram to use for your own objectives. Rather YOU MUST TAKE IT AND GIVE IT TO MUSLIM CHARITY OR POOR AND NEEDY MUSLIM PERSONS. Same if the government gives you actual profit but it uses the money in Haram ways like lending it to banks.

b. Should we one day utilize this fund money to purchase our homes or pay for our medical bills, will we also be considered to have taken part in the dealings with Riba?

When you use it to buy a house or for medical bills, use only the accumulated deduction and any Halal addition. This is why you should keep an account (I think the fund usually send you statement to that effect) of the principal and the interest, any amount you withdraw above the principal should be given to Muslim charity.

c. We analyzed that the only way we can truly escape Riba is to move to another country where we will be separated with our families. Should we go to such extremes?

There is no urge or need to leave your families. You may stay and accept the deduction and avoid interest by giving it to charity you are not the one who is earning it or asking for it.

2) Should we proceed to purchase a home with the money in the fund, and then in a few years' time decide to sell the house, the amount of money which we have used from the fund will be deducted from the sale proceedings and put back into the fund including the accrued interest which would have been accumulated (These are all compulsory and the amount will be automatically transferred back into the funds account by the government upon completion of the house sale). Thus my question as follows.

a. Will we then be considered as a giver of Riba and be dealt with accordingly in the Islamic law pertaining to Riba?

If you buy a house and money should return to your account in the providence fund with interest charged to you to the benefit of your account in the fund. You need not worry about paying this interest because it is in fact not interest as you pay it from your pocket (or account in your bank) to another account (with the PF) that you own. In other words, it is from you to you. This cannot be interest as we know it that is prohibited in the Qur'an. What is prohibited is paid from one to another. This is equivalent to the government telling you: you can use the money you have in this account provided you save in the future to your own self a larger amount than the amount you took. This is permissible for the government to impose it on you and permissible for you to do.

Finally, please remember that OUR BELOVED Prophet said that we are not responsible for what is imposed on us, whether by law or any other force.

We hope that you can assist in clearing our doubts as we have spent a lot of time trying to find the answers to our questions and could find nothing that could help us. Thank you so much for your time.

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Sr.

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Please see my answers in red below the questions:

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

-----

Dear Sir

Assalamu Alaykum and thank you so much for your prompt reply.

In regards to my 1st (Q1a) question, can I further clarify so as to be sure?

1) In our country, a portion of our monthly salary is deducted to be put into the Central Provident Fund which does accumulate an annual interest of 2.5% (This deduction and accumulation of interest is compulsory for all persons legally employed in the country earning more than \$500 and the funds collected are invested by the government. The investment are done without us having any power over where or how it is done.). Our money which has been set aside in this fund can be used for purchasing our homes and paying for our medical bills. Thus my questions are as follows.

a. Will we be responsible for this accumulation of interest and be considered to have sinned in regards to the laws of Riba?

**NO, you are not committing a sin by working in this country and it is not you who is dealing in Riba, it is the Providence Fund management. This deduction represents a saving to you for old age, it is not a bad idea at all, rather it is an idea that Shari'ah encourages. The government regulates and uses this savings in a way that is not Shari'ah compliant, this is not your sin. If the government credits to your account the actual profit from using these savings and the use is not in Haram area (say in construction of residences) while it guaranteed minimum of 2.5%, it is permissible to take these additives along with the principal amount deducted from your salaries. But if the government takes it from you and just gives you 2.5% interest considering it a loan to the government, this interest is Haram to use for your own objectives. Rather YOU MUST TAKE IT AND GIVE IT TO MUSLIM CHARITY OR POOR AND NEEDY MUSLIM PERSONS. Same if the government gives you actual profit but it uses the money in Haram ways like lending it to banks.**

In regards to the section in green, I would like to confirm that we are guaranteed a minimum 2.5% interest on top of our principle sum (E.g. The government invest and earn 10% and return a minimum 2.5% to us in the form of 'interest' to the provident fund account. Thus in the case the term 'profit' and 'interest' could be used quite confusingly). We are not entirely sure in what way the government use our money in the funds. Thus we also are not sure/informed if they are using it in Haram areas or otherwise.

- You mentioned that in this case it is permissible to take these additives (meaning the interest portion?). Does this mean, that we will be allowed to use these additives as well when we decide to buy a house? Or must we give these additives to charity?

- In this case, as we are unsure of how they make use of the funds (Haram or otherwise), is it still permissible for us to take the additives?

I would like to thank you once again for taking time to help us clarify our doubts. May Allah SWT bless you for all the help that you have rendered to us and beyond?

Regards,

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Sr.

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

You could have said from the beginning that you are talking about Singapore CPF. I have a Fatwa about it on my website. I was asked the question many years ago.

Now, what I said in my previous email to you is still valid and I like to make an addition.

1. To my understanding this CPF gives benefits in accordance with circumstances of the employee and her/his family in ways that are similar to insurance. I mean by that when the employee reaches retirement age, the benefit is calculated on the basis of number of years served, salary in the last few years, size of family, health conditions (as in case of disability). Also in case of death, there are benefits to widow/er and minor children, etc. if this is the case you do not worry about interest credited annually to your account and all these benefits are permissible on the ground that they are benefits for these situations given from government. This is inspite of the fact that interest is credited on the deductions.

2. On the other hand, if the CPF is operated as a saving fund: meaning at the time of retirement or death, the employee (or survivors) is given only the amounts deducted plus accumulated interest. If this is the case, then this accumulated interest should be given to charity it is Haram to acquire for yourself.

Please correct my understanding on this point, does the fund operate according to 1 or 2 above?

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

-----

Dear Sir

Below is a link for you to better understand the Provident Fund System in our Country. Via the article, it could probably help to determine if the investments of the Provident Funds are of Haram areas or otherwise. Thank you.

<http://www.asiaone.com/Business/My+Money/Building+Your+Nest+Egg/Investments+And+Savings/Story/A1Story20070924-26743.html>

<<http://www.asiaone.com/Business/My+Money/Building+Your+Nest+Egg/Investments+And+Savings/Story/A1Story20070924-26743.html>>

Regards,

-----

Dear Sir

Assalamu Alaykum.

The CPF System in Singapore works as per point 2 from your previous email. It acts like a savings system and does not base its given amounts in accordance to the individual's circumstances or situations. All given amounts are based on the deductions of the individual salary and interest given only.

The explanation that has been given to us as to how the money in the fund are being used has been quite controversial as what you can see from the article link I have forwarded previously. The main explanation given to us is that the CPF board loans the government the monies in the fund in return for a fixed interest rate of a minimum 2.5% to its account holders. Thus even if the government were to make a loss in their investments, the 2.5% minimum still applies.

In this case, can I safely say that we will need to take this portion of interest and give them to charity before we can utilize our money in the fund to purchase a house?

Thank you.

Regards,

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Sr.

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

What the CPF management does with the money and what the government does with the loan it takes from the CPF are immaterial to you as a depositor with the CPF.

If you are 100% sure that the fund does not work on benefits basis but rather only returns to you accumulated deductions plus interest, then this interest should be given to Muslim charity when you collect it, you should collect it from the CPF. Its collection begins after you recover all your principal.

Using any part of and all your contributions to buy a house or pay medicals is permissible

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

-----

Dear Sir

Assalamu Alaykum

Thank you so much for your replies. I have 1 final issue that I would need addressing.

So now, to the issue of buying a house.

After doing all the necessary to rid of the interest portion and utilize our CPF money to buy the house, we will now need to consider the balance payment for the house.

Example, the house cost \$200,000. Total funds in our CPF is \$100,000 which can be used to pay for the house thus leaving us with another \$100,000 to pay. There is no Islamic compliant housing loans available in the country at the current moment. The only bank which have expressed interest in launching an Islamic compliant housing loan did not give a specific time frame as to when they will launch this system and it could take years.

After much thought, we have considered the following options

1. Rental

Rental option however is very expensive - We could end up paying more/double each month as compared to owning our own house

2. Living with others/relatives

This could cause inconvenience to those whom we seek help to.

3. Housing Loan

We will be dealing with Riba

In this situation, will the housing loan be exceptionally permissible?

Regards,

Dya

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Sr.

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I don't go for a housing interest-based loan in Singapore.

I am fully aware of the Fatwa for Europe and America in this regards but I believe it does not apply to Singapore for several reasons;

1. The Fatwa specifically says that it does not apply to Muslim majority countries because Muslims are required to create institutions that fulfill their needs in Shari'ah compliant manners. This rule does not give room to going over the prohibition of interest simply because may Muslims did not fulfill their collective duties. Otherwise religion itself would change over time as what happened to other religions.

2. Muslims in Singapore (as in India) are focused and concentrated in nears near each other's, they have the same abilities as Muslim majority countries.

3. There are several Islamic banks in Singapore that provide Islamic finance, they should be convinced and should be able to provide Islamic house finance.

Until you find appropriate Islamic house finance, you should seek help from family and friends and any arrangements other than interest-based loan.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Hassan

Sent: Monday, February 07, 2011

Location: United States

**Question: Islamic Financing home contract**

Assalaamu Alaykum wa Rahmatullah Dr Kahf;

Please allow me to extend my gratitude for all the work you do for the benefit of all of us living in the United States. I have learned so much from reading the various Fatawa and articles on your website.

May Allah (swt) reward you all tremendously in this world and the hereafter.

I am fascinated by Islamic financing and how it compares to conventional financing.

I have a personal situation that I am hoping that you can assist me with as I am unable to find pertinent information about it.

I have been looking far and wide for an example of a Credit Sale (bai muaajal) contract (not Murabahah) but I have been unable to find one and so I came up with my own by cutting and pasting/modifying what I believe to be the proper clauses from existing contracts.

I am in the process of selling a property I own. I do not have any loan on the property-I own it completely. The buyer is unable to pay me cash for the property and he does not want to go for a Riba based conventional loan so the buyer has asked me to finance the sale for him for 60 months. He is willing to pay me a small amount per month for 59 months and the balance (large amount) as the 60th payment. He has also agreed for me to increase the price in return for deferred payment.

I live in Texas and the laws are not favorable for an Ijarah wa Iqtina type transaction - the only way I can do this is by a credit sale (bai muajjal) where I will convey full ownership to the buyer and the property will be held as collateral for the money he owes me.

I have researched quite a lot on how to make the contract and I have come up with the following. I would very much appreciate it if you can go over this contract to see if it is Shari'ah compliant. I apologize for tasking you for such a great favor but I trust your input (The contract is not long).

If a particular section is not Shari'ah compliant, please point it out and possible solutions.

Again I thank you so very much and ask Allah (swt) to protect our scholars.

Hassan

Contract follows (attached as well):

REAL ESTATE FINANCING AGREEMENT

THIS AGREEMENT (the "Agreement") is made as of the 24th day of August, 20010, by and between:

- (1) Seller. (herein known as Seller), as seller and
- (2) Buyer (herein known as the "Purchaser"), as purchaser.

FOR GOOD AND VALUABLE CONSIDERATION, THE LEGAL SUFFICIENCY AND RECEIPT OF WHICH IS HEREBY ACKNOWLEDGED AND AGREED, THE PARTIES HERETO AGREE AS FOLLOWS:

1. SALE OF PROPERTY

The Seller hereby agrees to sell to the Purchaser and the Purchaser agrees to purchase from the Seller the residential property located at 123 MAIN ST, DALLAS, TX 75011, together with the buildings and other improvements now or hereafter erected thereon, and together with

all improvements, easements, appurtenances, fixtures, furnishings, equipment, rights, and privileges contained in, belonging to, or in any way pertaining or beneficial to said premises (the "Property"), whether or not attached to or to be attached to the land, buildings, or other improvements and whether or not specifically described or referred to herein. The Seller shall deliver to the Purchaser a deed conveying good title to the Property. The Seller agrees to give actual possession and occupancy of the Property to the Purchaser at the time of settlement hereunder.

## 2. PURCHASE PRICE and DOWN PAYMENT

Purchaser is unable to purchase Property for cash and has requested a deferred payment plan for a maximum of 60 months (Term) tendering an initial down payment of \$10,000 (Down Payment). Purchaser agrees to pay an additional sum (Profit/Interest) to the Seller for allowing payments to be made in installments. The amounts of the total Debt is as follows:

|                             |                     |
|-----------------------------|---------------------|
| Cash Purchase Price         | \$125,000.00        |
| Purchaser's Down Payment    | \$10,000.00         |
| Original Owed Amount        | \$115,000.00        |
| Seller's profit/interest ** | \$44,960.07         |
| <b>TOTAL DEBT</b>           | <b>\$159,960.07</b> |

\*\* Profit is calculated at a rate equivalent to an interest rate of 8.00% amortized over 360 months for the Term of this Agreement (60 months) with a balloon payment due at the end of the Term.

## 3. ACKNOWLEDGEMENT OF INDEBTEDNESS AND SECURITY INTEREST

Purchaser acknowledges that the above Debt is owed and unconditionally promises to pay this Debt to the order of the Seller on or before September 1st 2015 (Maturity Date). In consideration of the agreement of the Seller to sell the Property to the Purchaser, the Purchaser agrees that it will execute and deliver a first Trust Deed and security agreement ("Deed of Trust"), in form and substance satisfactory to the Seller, in favor of the Seller as Beneficiary, granting the Seller a security interest in the Property, securing the payment of the total purchase price for the Property due hereunder and Purchaser's performance of its other covenants, agreements, and obligations hereunder. Unless otherwise agreed in writing by the Seller and the Purchaser, the Deed of Trust shall be executed immediately after the execution of this Agreement and delivery of the warranty deed by the Seller to the Purchaser as provided hereunder. The Deed of Trust, together with any and all other documents executed from time to time as security for Purchaser's covenants, agreements, and obligations hereunder, are together herein referred to as the "Financing Documents".

## 4. TERM

The term of this Agreement is from the date of signature until the Debt has been repaid to the Seller in full but in no event later than the Maturity Date.

## 5. PAYMENTS

The Debt shall be paid by Purchaser to Seller in 59 equal monthly payments of \$843.83 along with the payment for insurance and real estate taxes. A final payment of 110,174.10 is due on the 60th payment.

Payment is due on the first day of each month beginning on October 1st 2010 and continuing until the Debt is paid in full but in no event later than the Maturity Date. Purchaser shall make all payments due under this Agreement in the form of cash, check or money order. The



Purchaser shall make the monthly payments at

PAYMENT ADDRESS

#### 6. BALLOON PAYMENT

Purchaser acknowledges that there is a balloon payment due with this Agreement. The balloon payment totaling \$110,174.10 is due in full on the Maturity Date.

#### 7. LATE CHARGE

If the Seller has not received the full amount of any monthly payment by the end of 15 calendar days after the date it is due, the Purchaser shall pay a \$25.00 administrative charge to the Seller for actual time and expected costs of processing each late payment, subject to applicable law. The Purchaser shall pay this late charge promptly but only once on each late payment. Seller does not intend to profit from this late payment fee. Any amount of this late payment fee not used by the Seller in its effort to collect said monthly payment shall be donated to a charity of the Seller's choice.

#### 8. EARLY PAYMENT

Purchaser may pay off a portion or all of the Debt at any time without penalty. All prepayments will be deducted from the final amount due under this agreement and will not reduce the amount of any specified monthly payment. When the Purchaser makes a Prepayment, the Purchaser shall tell the Seller in writing that the Purchaser is doing so. The Purchaser may not designate a payment as a Prepayment if the Purchaser has not made all the prior monthly payments due under this Agreement. Seller reserves the right to discount the debt in the event of full or partial prepayment.

#### 9. DEFAULT

In the event that Purchaser fails to comply with the terms of this agreement and the Deed of Trust, the Seller may declare the Purchaser in default. In the event the Seller declares the Purchaser in default, the Seller may declare the entire balance of the Debt due and payable in accordance with the terms of the Deed of trust along with any costs and fees, including attorneys' fees and court costs, incurred in recovering the Debt. Seller may also exercise all of Seller's rights and remedies under the Deed of Trust.

Alternatively, Seller may seek to recover the Original Purchase Price plus an amount of profit due at the rate provided for calculating the profit listed in listed in paragraph (2), any costs incurred under this agreement, and any collection costs including attorneys' fees and court costs minus payments already made to Seller by Buyer.

#### 10. ASSIGNMENT; TRANSFER;

The Purchaser agrees that it will not assign or transfer to any party all or any of its rights or obligations under this Agreement.

IN WITNESS WHEREOF the parties hereto have executed this Agreement on the day and year first above written.

Signatures

Dear Dr Kahf;

I thank you so very much for your prompt reply. It is much appreciated.

I wish I could consult with you face to face regarding this - as that would be a more effective medium. I wonder if you would allow me to do so - perhaps a phone consultation would suffice. Please include your phone number if you are so inclined.

Some comments:

The contract is indeed brief and as you indicated, not sophisticated. I purposefully left out Deed of Trust and protection related issues as they were not Shari'ah related (from a financing point of view) and I wanted to give you the least trouble as I could. In fact, most of the clauses were copied directly from Devon Bank's Murabahah Contract (attached for your perusal) as Devon Bank's Murabahah contract is looked upon favorably by most scholars. I hope I am not doing anything illegal or un-Islamic in copying but I don't have much choice at this time.

One of the reasons I stated the cash price and worked off of that is that I am thinking of pursuing this as a business and would most likely be selling to non-Muslims as well. I would need to show them how I arrived at the fixed (increased) final price (\$169,960.07). They would need to know what 'rate of interest' they are paying for the deferred payment plan. I modeled this clause similar to Devon Bank's contract.

How do you propose I write clause 2 to show the buyer how I arrive at the final price considering the above?

Please have a look at Devon Bank's contract and do assist me with the compilation of this clause (2) in particular.

Thank you so very much.

JazakAllahu Khairan

Hassan

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Hassan

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I don't like this contract for two main reasons: it does not seem sophisticated sufficiently to protect your rights, both of you. I suggest that you should start from a formal sale and deed of trust conditions, it is about 15 pages and there are forms that lawyers have and forms sold on internet. Then make changes to make it Shari'ah compliant.

The second reason is its Shari'ah clauses are not tight. You have to make up your mind from the beginning on installment sale or lease. In sale there is no change of price later on and in lease you may make in the contract itself many anticipated variations and options.

You cannot include in the contract any reference to two prices. It must be one price of a sale.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

-----

Wa Alaykum As salaam wa Rahmatullah wa Barakatuh Dr Kahf;

I tried calling at 12:10pm (CST) [9:10am your time] but apparently you were not in the office or perhaps the connection was not optimum.

I have updated the contract as you indicated except clause (2) which I reworded as enclosed (due to the explanation I gave in my previous communication).

Do please give me your input on this version.

I just want to take a moment to impress upon you how much I appreciate this assistance.

It means quite a lot to me. May Allah (swt) reward you for sharing your expertise in a manner that enables the establishment of His deen? Thank you Dr Kahf.

-Br Hassan

**My Answer:**

Dear Br. Hassan

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I really don't know what to say to you. I kept your email in things to do for all this time and could not have time to read the documents you sent me.

I am so sorry for not being able to answer at this time.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

-----

Assalaamu Alaykum Dr Kahf;

Unfortunately I am unable to place a call to you - the line rings continuously.

I know how busy you must be - I was wondering if you were able to take a look at the contract.

JazakAllahu Khairan.

-Br Hassan

**My Answer:**

Dear Br. Hassan

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

You may call me at any time between 9 am and 3 pm Makkah time (you know I am in Qatar, it has same time zone as Makkah). We are here 8 hours east of New York time, 11 hours each of California time.

Best Regards,

Wassalam

Monzer Kahf

-----

Wa Alaykum As salaam wa Rahmatullah wa Barakatuh Dr Kahf;

I appreciate your assistance and help in this most important matter.

If you are able to find the time in the future it will be much appreciated.

If not, I thank you just the same for your effort. May Allah (swt) protect and reward you.

Br Hassan

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Hassan

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I reviewed the revised contract. I can live with it in this form although I have a little wording problem of "cash price" and "charge for deferment" I don't like the word deferment in it because it relates to interest especially that we called the first item cash price. I would rather use the word cost and markup instead of cash price and deferment charge.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Zaheer

Sent: Sunday, April 10, 2011

Location: British Columbia, Canada

**Question: Islamic way of home financing**

Dear Dr. Monzer Kahf,

Assalamuallaikum Wa Rahmatullah Taala Wa Barakatuh,

I would really appreciate if you could help me in coming to any Islamic conclusion to my problem. I have met with one non-Muslim fellow through a friend of mine who is working for real estate and loan giving agency in the province of British Columbia, Canada. I have had discussions with him and agreed to work with him if his company agrees to grant loans to Muslims in this province according to Islamic Rulings/Shari'ah. I have been trying to find people like you who can help me in giving information how can money borrowing can be done to buy homes so that the deal will not be un-Islamic. I assume 'interest' would be removed from the dealing and perhaps a service charge implemented or something else. As I am not sure how it would be, it is the reason why I'm asking how specifically it can be done.

Jazzakallahu Khairan Fiddarain.

Wassalam,

Zaheer

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Zaheer

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

It can be done in either of two ways, none of them changing the word interest by a service charge. 1) Murabahah: the finance company buys the house on request of the customer and sells it to her/him on deferred payment for a higher price. The price consists of cost of purchase plus a markup that depends on the period of finance. We

applied it in Edmonton, Alberta. 2) You can use a co-ownership agreement with a lease to the customer. The return of the company is the markup or the rent.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Azfar

Sent: Sunday, April 10, 2011

Location: US

**Question: Financing to purchase a house**

Assalamu-o-Alaykum Dr. Monzer,

I live in US.

I am currently renting a house that has been foreclosed by the bank (I began the lease long before foreclosure occurred).

I am considering buying this house but have following questions in regards to financing:

1. Some scholars (like a local Sheikh in my town) say that if a bank owns a property, it is halal to finance through that same bank using traditional (interest-based) mortgage process. I do not know how he came to this conclusion but I guess he is considering this as "Murabahah". What is your opinion on this?

The contract is structured as cash sale plus interest-based loan. It cannot be interpreted other than what it says. Hence, it is Riba based. I agree with you Imam if he said it is lesser of an evil that buying and getting a loan from some other corner because there is a distant meaning that you are buying for the total amount similar to Murabahah since you are paying interest to the seller.

2. The second option I am considering is the Ijarah schemes that companies like Guidance Financial, University Financing, Devon Bank, etc. are offering in US. I have read concerns on these financing that they don't share loss hence it's not Islamic. Also, despite that they are partner, they don't share tax payment. What is your opinion on this?

If you trust the Shari'ah advisors of these institutions go ahead for these options. I studied one of them and it is OK from Shari'ah point of view. It is permissible to take an undertaking from a customer to buy the property for a given price and to pay the tax for the whole property. Tax payment becomes a part of the rent, and not-bearing a loss is a result of the pledge to buy.

Jazaka Allah Khair.

Azfar

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Azfar

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Please see below:

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin  
Wassalam  
Prof. Dr. Monzer Kahf

---

From: Zeeshan  
Sent: Saturday, June 18, 2011  
Location: Toronto

**Question: Islamic Home Financing Model**

Assalamu o Alaykum Sheikh

First of all I feel really sorry for direct approach. I got your email from web as I was desperately searching for a way to ask you a question about an Islamic Financing model/institution in Canada. It may be couple of minutes of your time but it would really clarify the confusion in my mind which has kept me restless and sleepless for past few months. I really look forward to a response from you...JazakAllah

We have an institution called Ansar Cooperative in Toronto <http://www.ansarhousing.com/>  
They work on similar fashion as Guidance Residential in US as far as I have understood. Here is a complete process how they work:

[http://www.ansarhousing.com/home\\_buyers\\_overview.aspx](http://www.ansarhousing.com/home_buyers_overview.aspx)

I have two questions pertaining to them.

1. My observations is that the rent they quote is fixed for a specific amount that is on financing of 225,000 they would quote a rent of 1695 per month regardless of where the property is. Does that make it less Islamic.

Yes, it is OK to have the rent fixed regardless of location. This is a "financing" so to speak rent not a real estate rent.

2. The rent they charge is higher than market. So for my house they are offering to extend 225,000/- (which is my remaining financing) and asking for a rent of 1685 per month. As per market the total rent of my property(bought at 382,000 last year) is not more than 18,000/- in total and their share as per this formula is 10,602/-  $[(225000/382000)*18000]$  . The rent they charge comes out to around 9% on 225,000(1685/225000) and market fixed mortgage rate is around 4%.

They raise financing directly thru members and have paid them average dividend of 6-7% over past few years. So it is not low cost source of funds probably as they don't raise it from conventional financial institutions.

So What I am asking is:

Is 9% too high keeping in view how they operate and if yes is it permissible to pay a very high price for Islamic financing if it looks manipulation of consumers.

Compared to the market 9% is definitely high. This happens when a company offering Islamic finance exercises some monopolistic power in the market. But considering the other side of it, if you are an investor (member) with it you wouldn't accept the 0.25% banks give on deposits, would you? You would find similar rates in conventional finance companies in Canada and the US.

I would really appreciate if you could take out some time and help me reach a conclusion. I bought this house around a year back and paying mortgage of 3.75% over it. I am very restless

hearing that even paying interest is a bad deed. I would really appreciate your response. May God Almighty give you reward for this.

JazakAllah Khair

Zeeshan

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Zeeshan

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Please see below:

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Chantal

Sent: Friday, July 22, 2011

**Question: Guidance Residential, etc.**

Assalaamu 'Alaykum wa Rahmatullah wa Barakatuh,

Insha'Allah this message finds you in the best state of health and Iman. I would like to know what you think of Guidance Residential (<http://www.guidanceresidential.com/how-it-works>) and other co-ownership methods for housing finance. Does this function as an acceptable way to buy houses?

Jazaka Allahu Khair.

Chantal

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Sr. Chantal

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I am sorry that I don't give opinion about entities and persons.

The co-ownership, when applied rightly, is an excellent Shari'ah compliant finance methodology.

The criteria to judge a finance contract here in America are two: 1) check the contract itself whether it says buy, co-ownership, lease or delivery to occupant, occupancy fees or charges or rent and the like. Most contracts here in America do not say explicitly lease and rent in attempt to avoid direct hit by tax laws because rental payments are not deductible. On the other hand if the contract says: loan and interest, even though if the company tells you that (between us it is rent and ownership) or even if the company tells you that we apply the equation of calculating the rent in the area and then we give

you discount but the contract you actually sign says loan and interest, this is what matters and what defines the relationship between you and the company.

There are companies that claim to have co-ownership but the contract you sign clearly says: loan and interest. This is simply abuse and misleading of client.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Sharafe

Sent: Saturday, December 31, 2011

**Question: Home Purchasing Agreement**

As-salamu Alaykum Dr. Kahf,

You can expect a check in the mail soon for your previous services, may Allah bless you.

We're currently looking at an opportunity and would like your consul:

- The Developer (.....) is looking for a minimum purchase of 5 lots.
- We do not have the funds to purchase and build homes.
- We are soliciting clients who would like us to build homes for them.

How do we structure the agreement between us and the buyers?

\*Do they purchase a home from Keen Builders even though we don't own the lot or haven't built the home? My hunch is not, so then it can't be a purchase agreement.

\*Do we structure it so that they are hiring us to purchase the lot on their behalf and building the home for them?

The issue is: we can't purchase the lots until we have funds, but we can't have funds until we have an agreement with the buyers, but how do we have an agreement with the buyers if we don't own the lots?!

Please advise before we go to the lawyers to draft an agreement.

Barak Allah feek,

Sharafe

**Forwarded message**

Subject: building project

As-salamu Alaykum, Aqeel,

Here's an email I sent last week to a number of clients or potential clients, have a read and let's chat tomorrow InShaAllah.

You are receiving this email because you are seriously interested in or you have already committed to building a home through ..... builders either as an investment or a residence.

Alhamdulillah, based on the responses, it looks like we may be building 7 homes; if you know others who want to join, now's the time, so have them contact me. The more we build, the better prices we can InShaAllah get for materials and services.



Next Steps:

0. Pray istikhara and consult others - this is a major commitment so think it through carefully and don't over-leverage yourself or your family. The dunya is the dunya, there will always be good investment opportunities - and the best investments are good deeds.

1. Review the attached lot-package and select the lot you would like.

2. Arrange your financing your own way; please note: your financing is your responsibility, do your homework!

3. Sign a contract with Keen where we agree to roles and responsibilities and commercial terms

4. Make your first payment.

5. Builder purchases the lot on your behalf and builds the home(s) by next fall or sooner. A risk to working with Keen is that we are still a small company and are not yet as established, streamlined, and structured as our larger competitors.

A benefit to working with Keen is that we are committed to following Islamic Law in all of our business, and we mean it.

Ask our first two clients: Mohammed and Shadi about their positive and negative experiences working with us to get a better picture about us. Or go visit our job sites.

Feel free to call me to discuss further.

If we're both honest with each other from the beginning, Allah will bless our business transaction as the hadith mentions, so let's get started on the right foot.

If this path is best for us, then may Allah facilitate it, if not, then may He protect us from it.

Bismillah

Sharafe

Please see attached.

Let me know if you have any questions or concerns.

J M

Project Coordinator

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Sharafe

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

To solve this dilemma you need to use what is called Istisna sale. It is exactly what builders use in America and Canada. You sell the home on description for a price which is paid on installments. You need, as usual, to set the date of delivery and adequate fine for any delay and full list of description of building material, etc.

Of course you can do that after you get undertaking from the land owner that he is selling it to you. It is permissible.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

Sent: Monday, July 02, 2012

Location: BC, Canada

**Question: Mortgage**

Salam Alaykum brother Dr. Monzer Kahf,

I have been living and working in BC since 1997. I still have mortgage on my house, but at this point I am decided for sure to sell the house and get rid of mortgage and interest and start with Islamic loan. Is there any chance to deal with this with an Islamic organization at some point? How does it work in North America or Canada? What is the best way for me to approach to this plan?

I will be grateful to you in advance and looking forward to hear from you soon.

Jazaka Allah Khair,

Saeed

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Saeed

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

To the best of my knowledge there are two institutions that offer Islamic house finance. The Islamic Housing cooperative in Toronto Area and the Credit union Assiniboine in Alberta both can provide finance outside their areas check them on the internet. I definitely do not recommend any institution and do not take any commission from any institution. The Assiniboine contract was formulated with my advice a few years ago.

BTW, you should be careful of institutions that claim Shari'ah compliance but they are not like Ijarah Loan that is offered by some company in Canada.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Asma

Sent: Saturday, July 14, 2012

**Question: Islamic mortgage in Alberta**

Asslamu Alaykum

I want to ask if there is any Islamic mortgage or any credit union that offers Islamic mortgage available in Alberta Canada. There is Ijarah loan who claims to give Islamic mortgage but I want to see what your opinion on them is.

Kind Regards

Asma

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Sr. Asma

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I know that Assiniboine Credit Union offers Islamic finance in Alberta.

As for Ijarah loan they are fake and bluffers they extort you money and offer you a solution that is not valid in Shari'ah. They establish a trust for you which pays the interest and lease you the house and get interest from you. This does not make a difference in Shari'ah because according to Shari'ah the trust is yours and represents you. It is a legal trick in Western laws that is not acceptable in Shari'ah.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Sarah

Sent: Thursday, August 09, 2012

**Question: Mortgages**

Assalamu Alaykum brother,

Reading your website, I have noticed that you reference the 1999 convention in Detroit. I have 2 young kids and I would like to buy a house. There is no Shari'ah compliant financing in Edmonton, Alberta and the Cooperatives in Toronto are very expensive. So according to the fatwa in this convention, am I permitted to buy a house from a conventional bank? Please advise.

Sarah

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Sr. Sarah

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

This is the Fatwa, yes, but of course it is you only who can determine your and your family need to buy. If you do that the Fatwa says that it is permissible in case of need for the prime residence and when Islamic finance is not available to you (being expensive for your condition is certainly a valid reason).

Wa Allahu A'lam  
Wa Alhamdu Lillahi Rabb al Alamin  
Wassalam  
Prof. Dr. Monzer Kahf

---

From: Khurram  
Sent: Thursday, August 23, 2012  
Location: Canada

**Question: Mortgage**

Asalamuakum Dr. Monzer:

I am a 36 years old Sunni Muslim (Hanafi School of thought). We reside in Canada permanently and renting an apartment right now. My Rent is \$1350 approx. per month. There are very few Shari'ah financing (Mortgage) available in Canada and those are not in reach for a common man, they require more down payment and it is very difficult or nearly impossible for a person who has financial condition like me.

I would like to know if in this condition we can use conventional mortgage from a Canadian Bank in order to buy our own house. We live on the rental apartment and I feel rent is a waste of money as it can never give us financial stability if we can buy a house in approximately similar monthly payment. I would like to know is Mortgage is permissible in certain conditions if we would like to buy a house for our personal use not for commercial use such as renting.

Please also note that we do not have any other money or property that we can use to buy the house on cash.

Please advise and please let me know if there is any Fatwa for this?

Jazaka Allah Khair.

Khurram

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Khurram

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I am sorry to refuse the identification as "Sunni Muslim Hanafi" isn't Muslim sufficient for all of us.

I think Canada has many opportunities for house finance in ways that are Shari'ah compliance that you should search for. One of them is the Muslim Housing Cooperative and another is the Assiniboine credit union in Manitoba.

But if you cannot qualify for them the Fatwa is: if there is no Islamic finance to which one qualifies, Muslim families may take conventional finance for buying their house to live in provided they actually need it. Families determine their own needs keeping in mind that they are dealing in this matter with Allah who knows the real needs.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

---

Prof. Dr. Monzer Kahf

From: Asif

Sent: Friday, August 31, 2012

**Question: on Islamic financing for a house**

Assalaamu Alaykum,

I hope you are keeping in good health InShaAllah.

You have helped me and my wife in the past with questions related to finance and I hope, InShaAllah that you will be able to help us again with another concern that we are faced with now.

I have been looking at my options to buying a house in a halal manner in MA, USA and it looks like my best option is Guidance Residential (<http://www.guidanceresidential.com/>) which is having a Musharakah based approach. On the surface everything looks good, but many people on the internet warn that this is not a Halal option at all.

I am loathing to consider going for normal interest based loans (based on the necessity factor), as some have said, as I do have an Islamic option available to me, which is Guidance.

Many of the Guidance principles are approved by scholars of repute as given on their website <http://www.guidanceresidential.com/guidance-fatawa>

The main concerns raised by those opposing the guidance scheme are the following points:

1. Guidance is not a true partner

- They do not bear the loss in case of default

- They will not 'share' in the cost of maintenance of the home

Some links to online criticisms:

[http://amjaonline.com/00en\\_f1\\_details.php?fid=22321](http://amjaonline.com/00en_f1_details.php?fid=22321)

<http://hopeun.blogspot.com/2011/03/v-behaviorurldefaultvml-o.html>

2. Guidance will 'resell' the contract to Fannie Mae/Freddie Mac so in essence, they are a 'shell' of halal coating over conventional banking. I believe this process is called securitization in conventional terms.

This aspect is even mentioned in their white paper, I do not know how valid their approach is Islamically though.

<http://www.guidanceresidential.com/learning-center/white-papers>

My question to you is do you have an opinion on the conformance to Islamic principles with respect to Guidance Residential?

IF not favorable, do you advice of any other options that are better?

Jazakallahu Khair.

Asif

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Asif

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I have studied the GF contract and it is correct. Besides it is approved by respected scholars. Notice that it is in fact Sharikat milk not Sharikat 'Aqd (Co-ownership not contractual partnership) in which one co-owner leases the other its share with a pledge to buy it back from it.

Insurance and maintenance can be charged by agreement to lessee. Besides, since it is based on owning property and leasing it, it is permissible to securitize it because securitization amounts to selling the property and new owner enjoying the earning of the rent. Further, what does the company get finance from is not a matter of your concern because your concern end categorically in the contractual relationship between you and the company. Furthermore. In case of default, it is your mistake and your failure to fulfill your promise. This puts the burden of it and all its financial consequences on your shoulders. There is a case where the partner who got a pledge from you to buy its share may lose with you. This is if the property is destroyed by force major and the insurance payments turned out to be not sufficient to cover both shares, it is then (according to GF contract) on both proportionally. A similar case is if the property is confiscated by a local government and the compensation paid fell shorter than the cost price. Loss is also shared. Finally insurance can be on the lessee as a part of the rent I.e., the rent is a sum of money plus the insurance service.

Objections came from people who do not know Islamic finance and are not familiar with the new concept of Islamic financial intermediation.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: OnIslam.net, Live Fatwa

Sent: Friday, August 31, 2012

From: Muslimah (AAI)

**Question: Loan to Buy a House**

Asalamu Alaykum. We live in the capital city of Nigeria where the cost of renting an apartment is very high. There is this house meant for sale in the neighborhood but we don't have the cash to buy. I advise my husband to take mortgage from a commercial bank where he worked (there is only one Islamic bank in Nigeria and it commences operations in 2012) but he insisted that the loan has RIBA, he can't take it. I tried to explain the "LAW OF NECESSITY" as issued by the committee of scholars in Detroit in 1999, but said we haven't meet the third condition provided, because he believe that with our earnings, a six years savings can get us a house without haven to take any RIBA loan. The problem is that after the six years, we can't still afford a house in that location due to inflation, we can only afford at the outskirts of town which could be far away from our places of work. Please, I need your advice:

- 1) Can we take the mortgage based on the law of necessity?
- 2) Can we take the loan if we can liquidate it within 4 years? May Allah continue to bless and guide you as you enlighten us on Islam.

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Essam,

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Please inform this noble sister that her husband is 100% right. The necessity concept applies to minorities not to the Muslims of Nigeria. Muslims in Nigeria should have established several Islamic banks by now. Not only one.

Besides, thanks To Allah that an Islamic bank is established there and it's close to them just in Abuja. They can use the facility from the Islamic bank. There are also other companies that provide Islamic finance companies which they can contact. One of them is the company.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: OnIslam.net, Live Fatwa

Sent: Wednesday, September 26, 2012

From: Houda

**Question: Should I sell the house bought on mortgage**

If someone bought a house with mortgage already, do they have to sell it? Also, are there any banks in Canada you would recommend for someone to use to buy a house, and for student loans? Also, what can one work in Canada, as a female, and as a halal job?

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Sr. Houda

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

No one is not required to sell if one bought a house with mortgage if it is the house to reside in. try to make full payment as soon as possible and meanwhile if you find a good opportunity to sell it and buy on Islamic finance if it is available equally one must do that at the appropriate time without incurring losses.

For other two questions I am not qualified to answer them. I know there are many jobs available for Muslim males and females.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Nora

Sent: Wednesday, October 03, 2012

Location: Canada

**Question: Mortgage in Canada**

Asalamu Alaykum,

My husband and I have been renting for over three years, we have two young children, one which will be starting school next September. We live in Mississauga where house prices are extremely high. We would like to purchase a house to gain some stability, especially that our son will be starting school next year InShaAllah. (We have friends that are renting and are forced to leave their house constantly because the home owner would like to sell etc.) We have been researching mortgage and other alternatives. We don't want to do anything haram, but what option do Muslims have in this country for being able to purchase a house. We were looking at Islamic loans but cannot find anything that is comparable to a standard mortgage, many Islamic loans ask for far more return, and would end up costing us more, and would take us much longer to pay off.

In addition if we continue to rent, not only may we be forced to move from one school district to another (moving our child from school to school), but we wouldn't have any money to save in hopes of buying a house in the future and securing a permanent residence when we retire, InShaAllah.

Wassalam Alaykum

Nora

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Sr. Nora

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

The established Fatwa for Muslims living in the Western countries is that whenever resident house is needed for the family and Islamic finance is not available to them, they may go for conventional finance. I know in some provinces it is now available through some conventional credit unions which offer Islamic contract for house finance. In Mississauga there is the IHC but if it is not accessible to you because of its conditions then you may go for the Fatwa.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Ayman

Sent: Wednesday, December 19, 2012

Location: Vancouver, CANADA



## Question: Islamic home purchase financing in Canada

Dear Dr Monzer,

Assalamu Alaykum wa Rahmatu Allah wa Barakatuh,

My name is Aymen, I live in CANADA, I am actively looking into Shari'ah financing for home ownership. I came across IJARACANADA a financing company operating in both the US and Canada and claiming to provide Shari'ah compliant loans. My question are listed below, I hope that you can find some time to answers them and I would like to thank you in advance for the time you are dedicating to serve the Muslim community in North America especially on these delicate financial matters:

a. Did you evaluate IJARACANADA IJARA Canada before? Is it 100% Shari'ah compliant.

**NO, and I don't evaluate companies. I answer a question and I require it to give me details without referring me to a website. Websites may change.**

b. I have sent them some questions to the best of my knowledge and I would like to get your opinion the question/answers below:

1. In a conventional mortgage if you pay less than 20% for the down-payment you are required to pay mortgage insurance. I was informed by IJARACANADA that they apply the same rule as this is a law requirement and that they don't have another way around it. Is this permissible?

**Insurance is permissible, let alone being required by law or not, provided it is not interest based.**

2. On the Issue of Sharing loss and Gain, I got the following answer from IJARACANADA: "in a Shari'ah compliant loan the requirement is a sharing of the gain and the loss, not just the loss. The sharing is required according to the percentages of ownership, if however, someone owns 100%, who do they share with? There is no one to share with. This applies in an Ijarah transaction as there is only one owner, the Trust, and as beneficiary of the Trust that gain or loss transfers 100% to the customer"

**both the question and answer are incorrect: 1) there is nothing called Islamic loan, 2) in housing Ijarah the property is owned by the two together, who actually own the trust (the trust is just a veil). There is a pledge however by the customer to buy the property along with payment of rentals. This pledge makes the customer liable for any loss which results from his action of lack of action. If a loss arises from his action as in foreclosure he must compensate the beneficiary of the pledge for any loss. But if the loss arises from act of God or act of government (say the property insurance turns out to be insufficient then loss must be shared. In my opinion this is what Shari'ah compliant is.**

2. IJARACANADA offers variable rate 5 years mortgage terms, which makes the final amount to be paid back for the loan undetermined in advance. Is variable rate permissible or the fixed rate is more in line with the Shari'ah?

a. I researched this matter and found some opinions saying that this is permissible given this is a lease and the lease term can be reviewed every certain period agreed upon between the lessee and lessor. Is this permissible?

**I can't tell about what does Ijarah Canada does in this regard.**

**Variation of rate of Ijarah may be as follows: in the contract it is permissible to set a definite increase or decrease every month, year or what not. Variation may be set on the basis of a benchmark such as interest rate announced by certain authority or outsider but definitely known to the 2 parties.**

Setting a contract for five year and a balloon at the end with option to renew is permissible provided the customer has a right to shift to another finance provider and to negotiate the rate and all other conditions.

b. In case the variable rate Shari'ah loan (there is no such word in Shari'ah) is permissible, the conventional interest rate is used as a benchmark to determine the new rate when 5 years term ends. Is it permissible to use conventional interest rate as a benchmark?

Yes

c. Finally, In case the variable rate Shari'ah loan is permissible, should the lessee and lessor agree to set a min and max for the rate to avoid unreasonable rate hikes?

Yes

JAZAKA ALLAH KHAYRAN for your time and help and may ALLAH reward you in the dunya and akhira Ameen,

BTW, insurance can be paid by the customer, the share of the other owner of it can be, by a condition in the contract, considered like a part of the rent.

Salam Alaykum

Aymen

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Aymen

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Please see my answers in red below your questions:

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

-----

Dear Dr Monzer,

Assalamu Alaykum wa Rahmatu Allah wa Barakatuh,

I would like to follow-up with you on an old inquiry I sent you back in February 2012 regarding Ijarah loans Canada Company which claims to offer Ijarah financing for Muslims. I found recently the fatwa below where it is clearly mentioned that this company is a fraud and that it is misleading the Muslim community by claiming it is Riba free. I wanted to double check with you such information and Jazaka Allah Khayr for all your efforts and may Allah help you help us stay on the straight path.

JAK

Assalamu Alaykum

Aymen

**My Answer:**

Dear Br. Ayman

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Yes, it is true, a friend sent me the detailed documents on its transaction and based on that I issued a detailed Fatwa prior to this brief one. This is a fake company: it creates a trust and makes the interest contract in name of the trust which in its turn rent you the property. The point is that the trust has a legal independent identity in Western laws while in Shari'ah the trust simply represents you. They abused this formal independence to claim that this way it is no more interest. It is a dirty trick!

Best Regards,

Wassalam

Prof. Dr. Monzer Kahf

\*\*\*\*\*

**Subject: Buying a house from banks' Auction, foreclosure, etc.**

From: Mahmoud from OnIslam website

Sent: Thursday, October 23, 2008

**Question: Buying a house from banks' Auction**

Asslamu 'Alaykum professor Monzer,

Hoping you and the family are very well.

Forgive us for troubling you with our questions.

Questioner's name: Hosam

Country: Saudia Arabia

Assalamu Alaykum. I would like to know the scholars opinion in buying a house in a mortgagee sale or auction, the price is usually less than market price as banks are keen on getting their money

Jazakum Allahu Khayran.

Wassalam 'Alaykum.

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Husam

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Are houses auctioned by banks in Saudi Arabia, I don't believe it, or should I?

Buying a house from a bank or thru auction is permissible because it is permissible for the creditor to force sale a lined/mortgaged property if the debtor does not pay on time. It is a forced sale thru the formal legal procedure and it is permissible in Shari'ah. Of course the price will be lower on such property because of the idea that it is needed to be done within a short notice and regardless of the market conditions especially that these times are times of buyers' market not sellers' market. No problem in that either, this is life after all!

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

-----

From: Hasan

Sent: Friday, February 26, 2010

Location: Michigan, USA

**Question: Short sale**

السلام عليكم ورحمة الله  
أنا رب أسرة، زوجة وخمسة أولاد، أعيش في أمريكا، ( Dearborn - Michigan )أريد أن أشتري بيتا، لسببين: صعوبة الإيجار لكبر الأسرة، ولأن أسعار البيوت منخفضة، خاصة مع ضعف الحالة المالية لي، وعليه فأمامي فرصة معروضة فعلا: وهي كالآتي:

أحد معارفني اشترى بيت من 10 سنوات بمبلغ 140000 دولار بقرض ربوي، وبعد تسديد البنك شهريا طول هذه المدة، وجد أن عليه 130000، والبيت الآن لا يساوي 50000، لذلك قرر أن يتركه ويشتري بيت آخر أوسع وبمبلغ أقل، لكن بنفس الطريقة الربوية، التي أراها حراما شرعا.

عرض علي صديقي هذا أن أشتري البيت بنظام ( short sale ) هذا سيفيده في أن يحسن موقفه أمام البنك، وأنا أستفيد في أن أخذه أرخص من سعر السوق، ولأنني لا أحب المغامرة، ولا أثق في السوق العقاري في أمريكا، ولضعف قدرتي المالية، أنوي أن أعرض على البنك مبلغ 20000 نقدا، حتى لا ألجأ إلى القرض حتى من الشركات أو البنوك التي تدعي أنها تتعامل بالنظام الإسلامي ( المرابحة )، فهل لو وافق البنك - وهو مستبعد في رأي الكثيرين- يكون في البيع ظلم أو غبن للبنك؟؟  
وإذا لم يوافق البنك فسأكون مضطرا لأن أرفع السعر إلى 30000 ، أو ربما 40000، وفي هذه الحالة لن أدفع نقدا، وسوف أبحث عن بعض الشركات أو البنوك الإسلامية لتدخل معي في الشراء بنظام المرابحة، فهل في ذلك بأس؟ وما أفضل الشركات التي تتعامل بهذا النظام؟

جزاكم الله خيرا ،،،،،

السلام عليكم ورحمة الله

أ. س

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Hassan

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

You may buy it from the bank for cash for any price or you may take Islamic finance on Murabahah or Ijarah (they call it partnership) from any finance company. I do not solicit business to any one of them therefore I do not recommend any name. But you should be careful that the contract is Shari'ah compliant not simply the advertisement. The contract must say buy and sell or buy and assign to you to use for occupancy fees (they cannot say rent in order to avoid violating laws). If the contract itself says loan and interest it is of course loan and interest even if the propaganda says otherwise.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Amr

Sent: Thursday, May 06, 2010

Location: USA

**Question: Foreclosure and short sale**

Salam Alaykum,

I bought a house 4 years ago with Bank of America. Currently the house is negative 120,000. Meanwhile my job changed and I would like to move from the area closer to the Job and as well, I applied my children to the Islamic school which is one hour driving from where I live. I can still drive the kids and my children to where we need to be with difficulty. I wanted to sale the house. The lawyers advised my only option will be to stop paying the bank and apply for a short sale and negotiate with the bank to accept the loss of difference in price. The bank in that case has no many choices because I have no other money saved to come after. Also noted that over the last 4 years I paid for the bank in interest around that 120,000 number, so the bank at the need of the day will not make money on my loan but in the meantime will not make profit as well. As you know with current economic crisis many banks took money from our taxes to stabilize their situation and even zero interest money to post loans and economy, so I am indirectly with my taxes (around 60,000) last year helping the bank to function.

What I am worried about is would the difference in sale or foreclosure be a loan against me at the day of judgment or would it go with the known law and contracts in this country in a complex financial system.

Jazaka Allah Khair

Amr

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Amr

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

This is permissible InShaAllah because it is always permissible to use the legal system as long as you do not hurt other persons. It is not a matter that you pay taxes and how much, it is rather a matter that you do what the law allows and has no harm on others, the government had assigned funds for these cases, and banks are leaning on these funds.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

\*\*\*\*\*

**Subject: Is Ijarah/loan Shari'ah compliant?**

From: Khalyl

Sent: Friday, October 02, 2009

Location: Toronto, Canada

**Question: Ijarah loans**

Assalamu Alaykum wa Rahmatullah dr Monzer,

I pray you and your family are well.

I live in Toronto and currently have a house with a conventional mortgage (based on the Fatwa permitting this). I found the below Islamic financing alternative, Ijarah loans, which looks competitive. I don't know how to evaluate whether this is a valid alternative. Apparently, this company has been operating in the USA for some time although it is new to Canada. Have you come across them before and do you know if their contract is acceptable, i.e., Riba-free? The representative said the rate will be like 4.45%. Their investor is a credit union, so unfortunately it seems this is tied to the interest-rate.

Any advice you can provide is appreciated.

JazakAllahu Khairan.

Khalyl

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Khalyl

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

From the info you sent, it seems OK in principle, everything contained in the info you attached is ok including the point that they are backed by a credit union (it should be thanks Allah that this credit union accepted to offer Islamic contract rather than unfortunately). Of course to give a final word one has to review the contract itself but this is usually the job of the Shari'ah advisor as it takes quite a bit of time and it is therefore costly.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Monowar

Sent: Wednesday, September 01, 2010

Location: Toronto

**Question: Ijarah/Loan**

Assalamu Alaykum Wa Rahmatullah Wa Barakatuh sheikh,

I am currently looking for buying a house. As you know in this country, renting is also not Riba free. The standard lease agreement has "interest" clause in it.

In the past I have seen companies in Toronto advertise "interest" free, however they are not Riba free. As far I understand, profit sharing requires sharing "risk" as well. Could you please take a look at this information, and verify if they are completely "halal" home financing?

I have looked into these documents, however I am not completely sure of.

<http://www.ijaraloans.com/HowItWorks.htm>

<http://www.ijaraloans.com/Ijara.htm>

Jazakallahu Khairan,

Monowar

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Monowar

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I don't give opinion based on Website info because they are changeable.

I can tell you though that the point of risk sharing is incorrect. It applies only to Musharakah type of financing but financing through leasing and through sale on credit, while perfectly Halal do not have any risk sharing. Rather they are based on the principle of ownership that is the foundation of Shari'ah finance. IF YOU OWN, YOU ARE THEN ENTITLED TO MAKE PROFIT. This profit comes either from the utility of the asset or from its price variant.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Shazim

Sent: Monday, September 12, 2011

**Question: Ijarah loan**

Salaam Dr Kahf,

I attended your sessions on Islamic Financing when you were in Guyana a while back. I am now living in Canada and would like to buy a home, however there are so many opinions out there I really do not know what is correct anymore. Anyway I'm dealing with a company called Ijarah Loans from the US with a branch in Canada. Their website is <http://www.ijaracanada.com/>...can you please have a look at it and advise me if this is ok.

Best Regards,

Shazim

**My Answer:**

Dear Br. Shazim

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

It is nice hearing from you again and Eid Mubarak to you and your family,

I'd rather have you look at it and describe it to me and I give you my opinion based on what you tell me. You know I should not speak on entities themselves.

Best Regards,

Wassalam

Prof. Dr. Monzer Kahf

-----  
Dear Dr Kahf,

Jazaka Allah for responding so quickly. Eid Mubarak to you and your family too.

This is how they describe the transaction: a single asset Trust is created, the Trust purchases the property, and then leases the property to the customer. With each monthly payment, a portion of that payment goes towards ownership, until the customer owns 100%. HOW THE PURCHASE PRICE OF THE IJARA TRANSACTION DETERMINED

The purchase price that is agreed to in the Promise to Purchase is equal to the original purchase price less the down payment made by the customer plus \$1.00. For example, if the value of the property is \$200,000 and the customer makes a \$40,000 down payment, then the initial amount the customer has to pay the investor for 100% ownership is \$160,001. As the customer's ownership increases, this amount reduces, until the final ownership payment of \$1.00

#### HOW THE MONTHLY IJARA RENT PAYMENTS CALCULATED

The initial Ijarah amount that is financed by the customer, earns profit for the investor through monthly rental payments. Traditional amortization calculations are utilized to determine the exact monthly payment. The mathematical formulas are acceptable as there are no Shari'ah issues with mathematical calculations. The major difference between a traditional mortgage amortization and an Ijarah transaction is that the Ijarah transaction is based upon a reverse amortization calculation.

#### THE BASIS OF USING A PERCENTAGE

While it may appear contrary to the Shari'ah, it is in fact acceptable to describe the profit on an Islamic transaction as a percentage. The following example should clear up any confusion regarding the acceptability of quoting the profit as a percentage in an Ijarah transaction:

- i. Suppose you have a \$100,000 in cash.
- ii. You purchase a home and pay cash for the home.
- iii. You rent the home to a tenant for \$500 per month
- iv. At the end of the year you have collected \$500 x 12 or \$6,000 in rent
- v. That \$6,000 in rent is a 6% return on your \$100,000 investment

Is that 6% Rent or Riba? Well it is clearly it is Rent, as it is based upon a business transaction. Now let's look at a traditional mortgage interest transaction:

- i. Starting with the same \$100,000 cash.
- ii. You give someone the money.
- iii. They proceed to purchase the same home with those funds.
- iv. They pay you the same \$500 per month, or 6% a year for use of the money.
- v. This is basically rent on money

In this case is the 6% Riba? Yes, it is rent on money. The first example was rent on property. So it should be clear that from a Shari'ah perspective it is acceptable to describe the profit on an Islamic Ijarah transaction as a percentage. Furthermore, it is also a requirement under the Truth in Lending Act/Consumer Protection Act that any profit earned on a residential real estate finance transaction should be described as a percentage so that a customer can clearly understand what the overall cost of the finance transaction is.

#### TENANT OR HOMEOWNER?

In an Ijarah transaction, you are technically a tenant. You sign a lease that obligates you to a rent payment over a period of time. However, unlike a typical rental property lease, you are responsible for all the maintenance of the property, and you have all the rights and duties of a Homeowner. You can sell the property anytime you wish, you can remodel, decorate,



landscape, sublet, or basically utilize the property for any legal purpose that it is zoned for. The only exception may be if you engage in an activity that may adversely affect the value of the property, like demolishing a garage without rebuilding it. For all practical purposes your role is the same as a homeowner, because once you have fulfilled your obligations under the lease or promise to purchase, you become the owner of the property.

#### SHARING OF A GAIN OR LOSS

One of the basic Shari'ah compliance principles is that there should be a sharing of either a gain or loss in a finance transaction. The Ijarah transaction is structured in such a way that 100% of the gain is rightfully the customers. Under the Shari'ah, the gain or loss is shared by the parties in a transaction according to their percentages of ownership. The Ijarah transaction abides by this principle, in that at the time of realization of the gain or loss, there is only one owner of the property, and that is the customer. From a procedural perspective, at the time of sale:

1. The Trust will transfer the title of the property to the customer,
2. The customer will then transfer the title to the new buyer,
3. The new buyer will then settle the transaction according to the agreement with the customer,
4. And then the customer will settle with the trust according to the agreement between the customer and the trust (the Ijarah documents)

The procedural steps above creates a situation where the customer holds 100% title, albeit for a short period of time, but by doing so entitles the customer to be the beneficiary of the difference between the two agreements; that is the sale to the new buyer, and the original Promise to purchase agreement with the trust.

Now if I can remember correctly this sounds the same as what you taught us back in Guyana, but with so many terminologies, it gets difficult.

The other thing, I know you are not allowed to comment on the entity, however as this is a US company and I am in Canada how can I verify that this is a legitimate company.

Best Regards,

Shazim

#### **My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Shazim

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

The way it is described below it seems to me that the Ijarah contract is Shari'ah compliant and has no Shari'ah problem to the best that I know.

You should not worry about terminology that is needed to be compliant with the laws in the US and Canada.

For the credibility of the company, best thing is to have your lawyer or real estate agent check on it and check the documentation. See if you can have any referrals from previous customers of the company in Canada.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam  
Prof. Dr. Monzer Kahf

---

From: Mohammad  
Sent: Saturday, November 12, 2011

**Question: Ijarah/loan**

Salam Alaykum Khalo,

I hope that you and Family are doing well and I hope you have had an awesome Eid :-)

I am considering buying a house and was looking for an Islamic financing option and I came across <http://www.ijaracanada.com> .

I was wondering if you have any advice on this, after all there is no one better to ask :-) Jazaka Allah Khair

Regards,

Mohammad

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Nephew Mohammad

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I don't know this Ijarah, I heard of it though. What I suggest is to ask them what their contract is and send me this info. I know one company promises to convert conventional into Islamic, it is a kind of trick with lack of transparency.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Lamya  
Sent: Wednesday, December 07, 2011

**Question: Ijarah Loan**

Asalamu Wa Alaykum Dr.

I bought a house using conventional loan because I could not afford the Islamic loan, and now I want to change to the Islamic loan. I found this company that provides Islamic finance called Ijarah Loans. They told me that I don't need to refinance because my current rate is good, I can do something called Conversion. This is their website in which they explain this process in more details ([www.ijaraloans.com](http://www.ijaraloans.com))

Basically, Ijarah loans have this conversion process which will transfer my regular loan to a Shari'ah compliant loan. The title will transfer from a current borrower owner to a trust which will own the home for the benefit of the new investor. So, I need to sign the following papers: trust agreement, lease, promise to purchase, however they don't provide these documents ahead of time.

My question is: please tell me if this is Halal to go with, especially that it is difficult for me to refinance.

Regards,  
Lamya

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Sr. Lamya

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Please notice that in Shari'ah a loan is not used in business because a loan does not create or generate increment and therefore interest is prohibited because it is presumed on a loan.

I cannot give opinion on websites because they do not give complete and accurate info, they only provide propaganda material and they may change from time to time. Accurate info is taken from actual contract. Alternatively you ask me a specific question and I try to answer it.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Islamic Finance and Economics

---

From: Brother

Sent: Monday, May 07, 2012

Location: Canada

**Question: Purchasing House through Ijarah Loans**

We have been in Canada for over 5 years but still renting because we did not want to undertake a loan and pay Riba. We were told about a financing company called 'Ijarah loans' that basically use the policy of 'rent-to-own'. As always some Muslim friends have voiced concerns and doubts about the concept of Ijarah loans, saying it is not totally Halal way. I would appreciate if you could look up the website and give your expert opinion in this case.

**My Answer:**

Praise be to Allah.

Ijarah loan is a fraud: it asks you to get a Riba loan from a bank and transfer the loan to a trust which pays the interest and the trust rents you the house. They missed the point that although, according to Western laws, the trust has an independent legal identity, it represents you according to Shari'ah; it is not then different from you. This is the FRAUD of this company.

On the other hand there is the Islamic Housing Cooperative of Canada in Toronto area and there is the Assiniboine Credit Union in Manitoba who offer Shari'ah compliant financing based on real Ijarah or Murabahah.

Allah Almighty knows best.

Dr. Monzer Kahf

---

From: Brother

Sent: Monday, June 18, 2012

Location: Canada

**Question: Ijarah Loan**

As-salamu Alaykum,

When I first heard about Ijarah I was thankful to Allah for blessing our community with another Islamic alternative to the conventional un-Islamic financing. I told many people about Ijarah. I hope I did not make a mistake.

A number of Muslims claim that upon calling Ijarah for Islamic Financing, they were advised to obtain conventional interest-based mortgages first, then Ijarah would take over the financing. Apparently Ijarah charges a \$2000 restructuring fee for taking over a conventional mortgage. Please explain: is this a policy? If not, what is Ijarah doing about employees undertaking this corrupt practice? How could an Islamic financing company that is supposed to be helping Muslims comply with their faith encourage them to do the opposite?

Is Ijarah simply deceiving Muslims to think they are complying with their faith? I am interested to see how Ijarah will respond to these concerns. I sincerely hope these are all just misunderstandings.

Not only is the Muslim Community of Fort McMurray awaiting your response - which will dictate the number of attendees at your upcoming session - your response will InShaAllah be shared with leading Muslim organizations and figures across Canada and the United States.

Also, please explain the assumption that "trust is still in fact the same borrower" is not correct. The trust is NOT the customer, as is evidenced by the legal definition. And If the Trust conducts a Shari'ah-compliant transaction with the Bank, then the model is fine, correct?

Are we assuming the transaction between the Trust and the Bank will be un-Islamic, or is it clearly outlined as an un-Islamic transaction in the contract?

Your brother,

Sharafe

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br.

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I have already reviewed the document of Ijarah Canada. In my opinion these documentations and the creation of trust does not change anything at all. According to Shari'ah the trust represents you and it is still you who pay the interest to the bank not another entity (though it is a legal entity called trust). This company that offers this arrangement is merely taking Haram money by cheating people claiming that this makes it Shari'ah compliant. It is Haram to pay for this arrangement because it does not change anything from Shari'ah point of view and Haram to tell people that it does change because this is cheating and Haram to take money for this cheating.

And yes, that is correct but then there is no need for the trust, since if the trust can do it why not a natural person can do it too.

The point is exactly this.

Wa Allahu A'lam  
Wa Alhamdu Lillahi Rabb al Alamin  
Wassalam  
Prof. Dr. Monzer Kahf

---

From: Rashid

Sent: Tuesday, July 03, 2012

**Question: Ijarah Conversion Product...**

As Salam O Alaykum Wa Rahmatullah Wa Barakatuh,  
Brother,

Please read below the IJARA CANADA's Shari'ah comply home mortgage module and advice if is permissible...help me to understand by elaborating your reply...

1. IJARA CANADA module and how it work

Ijara's model is Ijarah wa Iqtina, basically rent to own, the property is owned by a single asset Trust, you are the beneficiary of the Trust and for your protection your name shows up on title. The main difference is that Ijarah does not borrow the money and lend it out, the investor puts their money into each individual investment.

2. How does IJARA gets \$ resources to finance the houses.

Funding can come from a variety of sources, we work with traditional banks, insurance companies and some private investment. The key here is that there is nothing in Islam that excludes a non-Muslim from making an Islamic investment, Ijarah does NOT borrow money and then loan it out.

Many Banks and Insurance companies are eager to get into the Islamic Finance business but they don't know how to do it, so they are happy to work with us as we can show them how be involved in the Islamic Finance industry, as far as their profit, they don't care how they earn it as rent or interest, they are just interested in making a profit.

3. How do IJARA protect their investment and if I join them, then my investment.

The investment is protected by the property, your investment is protected by your ownership in the Trust. As a technical point your ownership in the trust is not really ownership as there are no owners in a trust, what you have is "Beneficial Rights to Ownership" and this is permitted.

Jazaka Allah Khairan,

Rashid

---

As Salam O Alaykum Wa Rahmatullah Wa Barakatuh,

Dear brother Prof. Dr. Monzer Kahf,

Jazaka Allah Khairan for your detailed answer and my apology, on coming back so late. Actually, your answer saved me and my friends on falling to this trap (may Allah reward you for this).

I was busy on exploring the other "interest free home loans" options and came across with IFFCO (Interest Free Financing Corporation), below is their web link...

I personally, met with Dr. Nadvi (IFFCO's Shari'ah advisor) and after having his approval, went ahead to contact IFFCO for home loan approval process. Long story short, IFFCO has approved me for a house loan and provided me their contract document (attached).

Here I am again, requesting you to please find some time from your busy schedule and have a look to this doc and advise if this comply with Shari'ah.

Jazaka Allah Khairan for your help and time

Rashid

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Rashid

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

This transaction is a bluffing, putting the Haram in a dressing that looks permissible. It is a mere legal trick. Recently a brother sent me the full actual documents and I read them carefully. Here is my answer to him:

“Now with the info you sent me I blame myself that I let down many people in the past, I feel very sorry.

The Scheme of Ijarah Loan is a PURE SPAM it unfortunately foul brother and sisters, like this poor family to extract some money from them convincing them that they are really changing reality. These papers, although they are prepared by lawyers, are simply change of name not change of nature of contract. In the past I refused to answer any question on this Ijarah Loan without having a hard document in my hand because people asked me to see its website and I don't give fatwa on website nor on entities. I give Fatwa on specific document/ question. Now I have the document. It is as follows: make conventional mortgage, create a trust and open an account for it, assign the property to the trust along with its conventional mortgage, make a lease with the trust and pay it rent, the trust pays the bank. AND THE SOLICITOR GETS \$2500. For God's sake is it a horrible spam. From Shari'ah point of view, the trust remains you no matter what you call it, and you remain in a conventional mortgage, no difference, it is only a spam to take money from those innocent and low on knowledge people. It looks rent but it is through a legal trick. THIS HARAM TO OFFER AND HARAM TO TAKE BECAUSE IT IS ONLY A TRICK USING LEGAL DEFINITIONS OF TRUST AND YOU TO EXTRACT MONEY FROM YOU.

Tamer, it is now your responsibility and mine to spread the word, this similar to that criminal who used to call mosques claiming that he was going to meet them on behalf of prominent Muslims or institutions but he lost his money in the way and ask for a few thousand dollars be sent to him by Western Union. Remember that criminal. This is exactly like that.”

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

-----

As Salam O Alaykum Wa Rahmatullah Wa Barakatuh,

Brother Dr. Monzer Kahf,

Just checking if you have got any chance to look in to the details of this contact from your very busy schedule.

Jazaka Allah Khairan...

Rashid.

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Rashid

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Yes I studied them carefully and realize that they are bluffing to extort money from Muslims. What they miss is basically the fact that a trust is considered in Shari'ah as a representative of the founder and anything done by the trust is considered as done by the founder. (Western laws give the trust separate identity). This means that if the trust calls what it takes from you rent and pays interest to the bank, it is you who actually pays the interest. Hence this procedure does not change any of the facts from the point of view of Shari'ah, it only have you pay the fee to the bluffing company.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Laura

Sent: Friday, August 03, 2012

**Question: Ijarah loans Canada**

Assalamu Alaykum Dr. Kahf,

I am looking for an option to finance house purchase in a Shari'ah compliant manner in Alberta. I have read some of your responses to questions on this issue on the Muslims of Calgary website, and you mention specifically that the Assiniboine credit union is an option. However, upon looking into this I have found that they only offer Islamic mortgages for homes purchased in Manitoba. I have also tried to contact both Salam financial and UMfinancial and have found that neither of them are in business (at least there is no current website or contact information for either). Could you please let me know if Ijarahloans is a Shari'ah compliant option? I do not want to enter into anything that is not halal, and hoping that there is an acceptable option in Alberta/ Canada. Jazakallah Khairan and thank you for your time.

Salam

Laura

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Sr. Laura

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

It is unfortunate that you did not find appropriate finance in your area. Have you tried the Islamic Housing Cooperative in Toronto. I know it works all over Canada and I know that as a cooperative you have to become a member quite sometimes before you can be eligible, beside they require higher initial payment. I do not advise Ijarah Loan. It is complete bluffing in order to charge you a handsome fee. Creating a trust and assigning the interest transaction to it and the trust gives you the property on Ijarah is a legal trick which is in vain because according to Shari'ah the trust is you.

Doesn't Assiniboine Credit U give financing outside its State? I suppose it should be legally able to do that. Alternatively why don't you take a pioneering action and replicate the contract of Assiniboine with a credit union in Alberta.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Charef

Sent: Thursday, January 10, 2013

**Question: Ijarah/loan**

Dr. Kahf:

As-salaam Alaykum and thank you in advance for taking the time to read my email;

The Ijarahloan (Islamic Home and Business Finance in the USA and Canada) are based on a Fatwa of Mufti Muneer (see attached) regarding their contract for financing home in Canada and USA.

What is your opinion about this Fatwa?

Jazakum Allahu Khairan for your constant help

Charef

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Charef

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

This is atypical abuse of Fatwa. The Fatwa is about Ijarah and the Ijarah is correct. Yes.

The problem is with the structure: take interest loan, transfer the loan to a trust (the trust is still you from Shari'ah point of view), make an Ijarah between you and the trust (that is you with yourself), the trust (that is you) pays interest to the bank and collect rent from you. This is the problem not the Ijarah contract.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf



---

From: Iman

Sent: Thursday, February 14, 2013

Location: Canada

**Question: Ijarah/loan**

Salam Alaykum

I live in Canada and I am trying to find a way to purchase a home without Riba. Currently to live in a safe neighborhood one needs to either purchase a home or pay very high rent prices that sometimes is just not affordable. I came across this company called IJARA LOANS. Their way of banking is as such:

How the Program Works

- \* The individual selects the property;
- \* Pays the required on-account payment (traditionally called down payment), which could be 3.5% to 20% or higher if the individual chooses to do so.
- \* An independent trust <<http://www.ijaraloans.com/?p=149>> holds the title to the property.
- \* The house can be leased for 10, 15, 20 or 30 years, depending on the individual choice.
- \* The lessee pays monthly rent to the trust <<http://www.ijaraloans.com/?p=149>>, also called on-account payments. The trust <<http://www.ijaraloans.com/?p=149>> will pay real estate taxes and property taxes on behalf of the lessee and add these to the monthly rent. At the end of the lease period, the title is transferred to the lessee for a fee of \$1.00.
- \* Should the personal situation for the lessee change and he or she has a need to sell the house, the trust <<http://www.ijaraloans.com/?p=149>> is informed of this need and an arrangement is made to sell the house. If there is a profit, the lessee keeps 100% of the profit. If there is a loss, the lessee bears the first loss.

They have emailed me a fatwa that was signed by Sh. Muhamad Taqi Usmani however I know how some companies may not be truthful about their fatwa's so I don't always trust it. The company claims they have 38 investment companies and the loans come from them, once the loan is received it is then converted to be Shari'ah compliant. They claim that with Ijarah, suppose you want to buy a property, you walk to Ijarah and fill the application. They will create a trust and the trust will purchase the property (with funds from the investor) and each month you will pay rent to the trust. A portion of that rent will go towards your ownership until you have 100% equity. They say that rent on money is Riba (haram) but rent on property is rent, which is halal. They say that their transaction is based on rent to own. The property will be held in a trust and there is a lease agreement between you and the trust. There is a profit gained but what makes it halal is that the profit is gained from the rental of the property, not for the usage of money (which is essentially what Riba is). Sheik is this true and do you find this company to be halal or haram. Here is their website <http://www.ijaracanada.com/> <<http://www.ijaracanada.com/>>

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Sr. Iman

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

No, this is not true.

What they hide is the following: the trust takes a loan on Riba basis. They claim that the trust is independent. This claim is not true according to Shari'ah. The trust represent you and it is in fact (from Shari'ah point of view) you exactly in regard to the ownership of this property. This is why it reflect the tax and other expenses on you and this is why they say the profit when you sell in yours so is the loss if any.

Rent of a property is of course Halal and it is one of the forms of Islamic finance in contrast to interest on debt in case of getting a loan which is Haram. The Fatwa of Shaikh Usmani is on the rent and it is of course correct it is not on the structure (create a trust on your behalf, the trust buys on interest and pays interest on your behalf, the trust owns and rents to you, you pay rent to the trust). THE FACT IS THAT THE TRUST IS YOU; SO YOU PAY INTEREST AND CHEAT YOURSELF THAT YOU PAY RENT.

Based on previous Fatwa that I gave and many Imams people spread in Canada and the US this company changed its propaganda. Now it did not tell you that the trust buys on loan basis and pays interest on your behalf. They fabricated this investor which is banks giving loans to you in the name of the trust. This trick they play on simple people and charge them for it a few thousand Dollars. Please remember that according to Shari'ah this kind of trust only represents you, it is not independent from you.

I suggest that you should try the Islamic housing cooperative, some credit unions which offer Islamic contract.

Remember again that the problem in the Ijarah loan is: that the trust is you, so that you buy on interest and cheat yourself in claiming that you rent to yourself. It is not the point that Ijarah is permissible.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

\*\*\*\*\*

## **Subject: buying investment real estate on loans**

From: Samy, Islam on line

Sent: Tuesday, January 08, 2008

### **Question: Buying Lands and Houses by Bank Loans**

Dear Dr. Monzer,

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh,

Is buying lands and houses, by bank loans which include interest, considered Halal in all cases? (Like someone well off but wishing to expand his fortune for later generations). And if not, would inheriting be Haram as well? Baraka Allahu feekom.

Jazakum Allahu Khairan for your constant help

### **My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Abdu

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Taking an interest loan for any purpose is Haram. Interest, as defined being an increment in a loan, is forbidden in the Qur'an and it is one of the gravest sins that invoke the Wrath of Allah. This applies not only to taking interest but also to its give, writer and contract witnesses as our beloved Prophet said (every authentic saying reported by both Bukhari and Muslim. Of course, there may be circumstances of necessity or its like, where taking an interest loan may be justified, such as the residence house that is needed by a Muslim family where there is no Islamic financing available. It is obvious that there is no necessity to expand one's wealth! If one inherited a property that is ridden with an interest loan, one would be required to rid it from the Haram as soon as one can, otherwise one would be sharing in the Haram activity.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Rauf

Sent: Sunday, January 30, 2011

Location:

**Question: Murabahah - Commercial Property Financing**

Assalaamu Alaykum Sh Monzer;

I pray that you are doing well, InShaAllah T'ALLAH.

Are you back in California or still based in Qatar teaching?

I have a client here in Edmonton who is wanting to purchase a commercial property on a Murabahah basis. There is a willing bank to structure the deal for him. Although I know these steps, I'd still like a senior mentor like yourself to review some of the communication points that I make to both the banker and the client. Would the following appear correct?

Steps involved in a 3-party Murabahah sale: banker, buyer, seller:

1. Client has preliminary discussions w/bank regarding the intent to purchase property
2. Client signs an "Intent to purchase" agreement w/seller w/condition + place a non-refundable deposit nonrefundable deposit is not permissible. The bank is entitled to a charge equivalent to the actual loss incurred including time spent, etc. an application fee (e.g., \$ 100, credit report fee and the like are permissible)
3. Client talks to the bank and discloses ITP documentation
4. Client pays the bank a down-payment 10%
5. Bank buys the property from the seller for \$X. Bank enters S&P agreement w/seller.
6. Client buys the property from the bank for \$X + Profit.

Would the above process flow be accurate?

-----  
At which amount should the bank apply the profit to, given that the client pays a deposit? Is it the purchase price of the property OR the purchase price minus the deposit? The two scenarios will result in a different profit for the bank and the installments for the client.

Of course on the amount financed, how can the bank charge profit on what it does not finance? Bank applies profit to purchase price:

Property: \$100,000  
Profit rate: 10%  
Deposit: 10%, \$10000  
Banks financing plus profit: \$110,000  
Minus deposit: \$10000  
Total balance due towards client: \$100,000  
Bank applies profit to (purchase price - deposit)  
Property: \$100,000  
Profit rate: 10%  
Deposit: 10%, \$10,000  
Financing amount (after deposit deduction): \$90,000  
Total balance due towards client (after profit): \$99,000  
Contracts & Fees

The banker has done a Murabahah deal prior to this one and they have contracts from that deal available. So we would either get new contracts developed or have the current one reviewed. It was a similar transaction. How your fees would be structured either way.

As well, the transaction will likely move fast, after placing the offer we'd have about 30 days to get it all done. Would that be ok on your end in terms of availability?

Depending on the size and complexity of the document, it takes between 1.5 and 3 hours to review it unless it requires correspondence with the bank/its lawyer and repeated reviews, My rate is US \$495 per hour.

I am still in Qatar and available for consultation and review.

Jazaka ALLAH Khayr ya Shaykh.

Was-salaam

Rauf

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Rauf

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Please see below:

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Afsar

Sent: Tuesday, November 23, 2010

Location: Canada

**Question: Halal Business Financing**

Assalamu Alaykum Dr. Monzer,

This is Afsar, a friend of Sh. Tamir and Sharafe. We met when you came to visit Edmonton and corresponded a few times a long time ago. I've since moved to Vancouver. I recently started a company and was hoping that you could possibly advise me in a matter of great importance. My company, while brand new is aiming to be a premier acquisition company, buying other companies and expanding them to reach an even fuller potential.

Recently we have come across an extremely good prospect and are looking to make sure we keep our business Halal and acquire equity financing in which they would take a stake in our company in exchange for the capital and receive dividends in the meantime. It is an exceptional and very well-known business chain with 60 very successful stores. I was hoping that you could provide some help and direction in regards to this. If you can be of any help in regards to banks, private equity, or venture capitalists that provide large sums of halal Capital (20 Million). On another note, perhaps you know if it's possible to engineer current bank documents to make them compliant on such a scale in Canada. I hope you can help us out insha Allah. I realize this is a lofty and perhaps outlandish business prospect but I will do my best and exhaust all my options to make it successful insha Allah.

Wa Salam Alaykum,

Afsar

**My Answer:**

Dear Br. Afsar

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Yes, brother I remember you and pray for your success. I am not in the area of contacts with finance providers. And I cannot do things that I don't know. I can help in advising on contract and how to make a finance Shari'ah compliant. If you make a contact with a banker there I can help reformulating the contract, of course with the help of the bank's lawyer, to make it Shari'ah compliant but still acceptable in the context of existing laws.

Best Regards,

Wassalam

Monzer Kahf

-----

Assalamu Alaykum,

I pray that you and your family are doing very well and this finds you in a state of high Iman.

I've been reading many of the fatwa's and information that you've published on investing. I was curious about determining the debt level of a company and it being less than 1/3 of their assets. Is short term debt/notes payable as part of their normal operations considered debt? For instance, I'm considering purchasing shares in Rogers Sugar Income Fund that just switched, or will be switching there dividend from interest bearing to capital dividends. It's about 9% per annum. Their balance sheet stipulates that they have 104 million in short term debt/notes payable, as part of their daily operations they are given 30 days net on many of the products they purchase for ongoing operations, is it to be considered as part of that debt?

First, are you sure about this fund?

On a side note, I noticed recently that islamonline.net is, for some reason not allowing me to see the new Fatawa in English, I've copied and pasted much of your work, is there another way to find them?

Wa Alaykum Assalamu,

Afsar

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Afsar

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

If you are sure that this fund operates actual sugar production and trade and the short term debts are not interest-bearing debts you do not include them in the calculation. What is intended by these criteria of leveraging is only interest-based leveraging. The idea is the company should not have a large chunk of its operation financed by interest-bearing debts. If the debts do not bear interest, the percentage of leveraging itself is not an issue from Shari'ah point of view.

Further, many financial institutions may call interest dividend because the legal distinction between them is different from the Shari'ah difference. In Shari'ah we look at the source, if the source is interest, we call it interest, in accounting we look at the way it is calculated if it comes as the net amount of the profit and loss account, it is dividend even if all the items of income are interests on loans. This dividend is interest in Shari'ah

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

---

From: Walid

Sent: Saturday, December 29, 2012

Location: Canada

**Question: buying investment property on interest loan**

السلام عليكم و رحمة الله و بركاته،  
أنا اسمي وليد ، مسلم أقيم حالياً في كندا. قابلت الأخ خالد في المؤتمر الإسلامي في مدينة تورونتو وسألته سؤالاً متعلقاً بالقروض من البنوك الكندية (المسماة بالبنوك الربوية) فنصحتني بالرجوع إلى حضرتكم بما أنكم و الله الحمد أهل علم ودين و ثقة. سأعرض عليكم سؤالاً بالتفصيل متمنياً أن تقبلوا شكري مسبقاً على الإجابة:  
أنا طالب في الماجستير عمري ?? سنة، متزوج من أخت مسلمة تدرس الطب. يقدم لنا البنك إمكانية سحب قرض شخصي قدره \$?????? كندي مع فائدة بنسبة ?? سنوياً. هذا المبلغ يسمح لنا بشراء مبنى بقيمة مليون دولار يحتوي على عدة شقق سكنية للإيجار بما أن البنك يحتاج إلى نسبة ??? من أصل سعر المبنى. إذا السؤال مقسوم إلى قسمين: الأول هل يجوز لنا أخذ القرض الشخصي من هذا البنك الكندي مع الفائدة المترتبة كما ذكرت أعلاه؟  
القسم الثاني هل يجوز شراء المبنى عن طريق البنك علماً بأن هناك فائدة مترتبة يجب دفعها؟  
أحب أن أضيف بأن هذا المشروع مهم بالنسبة إلينا و لكنه ليس ضروري أي أننا بإمكاننا أن نعيش من دونه. المشروع رابح بإذن الله بعد الحسابات الدقيقة التي قمت بها. هذا المشروع سيساعدنا مادياً على تقوية مركزنا في هذا البلد و بالتالي سيعود على المسلمين بالخير في نهاية المطاف عن طريق أبواب المساعدة للأخريين التي يمكن أن تفتح لنا .  
أشركم جزيل الشكر دكتور منذر و نفعنا الله بعلمكم،  
والسلام عليكم و رحمة الله و بركاته

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Walid

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I can understand that the interest transactions in the Western countries sometimes provide lucrative opportunities but honestly they also may have pitfalls that better be avoided.

Riba is very strongly prohibited in the Qur'an and Sunnah. It is a very serious matter to be avoided under all circumstances.

Discussion in Scholars circles argued that for families who live in the West, where Islamic finance is difficult to find, and who in fact need housing for the family which cannot be provided through equivalent Islamic finance, may resort to conventional mortgage.

In my opinion these restrictions must be abided for: for family residence only, it is in fact needed, and Equivalent Islamic finance is not available. These rules out business and investment uses.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

\*\*\*\*\*

### **Subject: Helping other take mortgage**

From: Xplong

Sent: Friday, July 13, 2012

#### **Question: Tenant rental Letter for mortgage refinance**

Dear Sheikh AsalaamuAlaikum.

I rent my office in a building. Recently my landlord gave me a Tenant Estoppel Letter to sign for his refinancing purposes. I signed it because it was all true about my rent amount, rent term, size of my office etc. Is that haram because he will use that for his refinancing purposes?

Please respond soon if it is haram, I will request to take it back from him.

Jazaak Allahu Khair.

#### **My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br.

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

It is not your business whatever he does with his things and he has a right to get such a letter from you as long as it describes the reality. It is not Haram to sign it even if you know that he is using it for refinance

Wa Allahu A'lam  
Wa Alhamdu Lillahi Rabb al Alamin  
Wassalam  
Prof. Dr. Monzer Kahf

\*\*\*\*\*

## **Subject: Balloon payments in Islamic financing**

From: Maryam  
Sent: Saturday, August 21, 2010  
Location:

### **Question: Are balloon payment permissible in Islamic finance?**

As salaamu Alaykum Dr. Kahf

InShaAllah you are well during this blessed month of Ramadan. I wanted to know if Balloon payments that adjust your monthly payment are acceptable in Islamic financing.

Jazakallahu Khayran

Wsalams

### **My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Sr. Maryam

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

It really depends on the contract and the relations between the parties. Let us take house financing as an example.

If the contract is Ijarah based, balloon payments mean buying more of the part of the property that is owned by the Islamic finance company. This should reduce the rental amount in a proportional was and it is of course permissible.

If the contract is Murabahah based, the amount due is simply a debt in the gross amount because it is a price of the house when sold on installments. Early payment of a debt or a part of it does not change its value or the balance of that debt. However, it is permissible for the two parties to agree to reduce the balance of the debt (I.e., the amount of each installment of the remaining debt) as a result of a balloon payment provided two conditions are fulfilled: 1) there is no prior agreement at the time of contract to reduce at a stated rate; and 2) the full early full or partial payment of the debt is not performed in a way that makes it discounting (like when you take a promissory note and discount it at a bank which gives you its present value at the current rate of interest) because discounting a debt at a third party is pure Riba (the difference between the present value and the face value is pure Riba).

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin



Wassalam

Prof. Dr. Monzer Kahf

\*\*\*\*\*

**Subject: contracts for financing Real-Estate development**

From: Mohammud

Sent: Friday, February 19, 2010

Location: California

**Question: Home financing through home builder**

Assalamualaikum Br. Monzer,

Hope you are doing well InShaAllah. I got your email from your website. I live in California and I have heard that if you purchase a home directly from a builder (assuming that the builder is the financier and owner of the home) that it is permissible to do so and not considered Riba. Is this correct?

The reason they say it is correct is because the builder owns the home and you can buy it directly from the owner as long as the "interest rate" is a fixed rate over the entire loan.

If this is correct, I have a follow-up question.

For example if I buy a house from the builder for \$100K at a fixed rate of 5% (and assume that I calculate the payments over 30 years, and the total cost is \$200K over 30 yrs.), do I have to promise the builder that I will pay the \$200K whether I sell the house in 2 years or 30 years?

Do I have to promise that I will pay the builder a "fixed" price?

Or if I sell the house in 2 yrs. do I only owe the builder the payments until for 2 years (and the rest of the money is my profit assuming that the home increases in value)?

What happens if the home decreases in value is it permissible to sell it for less than its worth (or foreclose) on the property?

Jazakallah Khair.

Wassalam

-----

Walaikumusalaam,

Thank you very much Br. Monzer.

What I am wondering is that if I was to buy the property from the builder for a fixed total price of a total of \$200K for example (although the cash price was \$100K). Then if I sell the house at any time (2 yrs. later or 30 yrs. later) I would have to pay the builder \$200K. Is that normally how it works? Do I have to Islamically pay the total \$200K no matter when I sell the property?

However, if I was to get an "Islamic mortgage" (i.e. Musharakah, or Ijarah) then if I was to sell the home I would normally only owe the rest of the amount that is left on the cash price (\$100K, rather than the \$200K which includes the rest of the years of payments) when I sell the home. Are these "Islamic mortgages" "not setting the fixed price"?

Maybe I haven't understood this correctly, but if you could please shed some light on this, I would greatly appreciate it.

Jazakallah Khair

Mohammud

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Mohammud

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

The point is not whether interest rate is fixed or not. The point is whether the increment is a part of the price or you set the price and create a debt for it then increase the debt by interest. Sale for deferred payment and at a higher than cash price is permissible because the difference is a part of the price. On the other hand we have a Saying of the Prophet Pbuh that a sale for a cash price of .... Or a deferred price of ... is forbidden and the difference between the two prices is Riba. It is clear that the difference between the two prices is an increment in the debt that is created as a result of the sale.

In brief, buying from the builder (or owner) is permissible if the sale is done at a given price and given installment, If the seller likes to call the price differential an implicit interest we do not mind. It is not permissible to buy at a cash price and add interest on the debt.

The idea of being fixed comes from the point of being a price in a sale not an increment of a debt. A price in a sale contract must be determined in the contract and cannot be variable

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

-----

Walaikumusalaam,

Thank you again Br. Monzer I really appreciate it.

Is it Islamically ok to only pay the principal when selling? I could be wrong here, but the impression I was under is that the reason the price is set is so that you must pay the total full price no matter when you sell, that you agree on in the beginning?

Please let me know.

Jazakallah Khair.

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br.

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

No that is not the way it works. In all the mentioned cases if you decide to sell earlier than the full period of the contract you pay only the principal and nothing extra.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam  
Prof. Dr. Monzer Kahf

-----

Assalamualaikum Br. Monzer.

I actually have two more questions related to this as well.

1. Are late payment fees permissible to pay (as a seller would normally charge)?
2. Also are pre (early) payment fees, permissible to pay?

Jazakallah Khair.

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br.

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Both are permissible. The delinquency fine should be taken to charity (the creditor is only entitled to a part of it that equals out-of-pocket cost of delinquency). Early payment fine can be taken by the creditor.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

-----  
From: Momin

Sent: Saturday, May 01, 2010

Location: Canada

**Question: financing from conventional banks on Shari'ah compliant ways**

Asalamualikum Dr. Kahf,

I pray you are in good health and faith InShaAllah.

I had a couple question I wanted to ask you.

I am a land developer, and to do thus we need a lot of capital, to put all the services into the ground before a residential lot a reality.

In doing so, we have to get a construction loan from the bank to do that, due to the capital costs of servicing.

My question to you is do you know anyway or manner, or have a template, or a tried or tested method that I can deal with a bank to make the loan Shari'ah compliant? As loans like this are draw loans so, after certain duration a certain amount is released, but then there is interest to be paid on it.

I was thinking out loud to myself the other day (I don't know how possible or practical this is) that if we can get a bank to become an equity investor into the project so the loan changes to an investment to get the servicing done and we give them a ROI of say 10% would that make it halal? So no interest payments and a return of 10% of investment at the end of the project... I don't how practical it is, but just wondering if you know of brothers or people who have done creative things to make loans Shari'ah compliant.

I have put all my projects on hold, as now my heart does not feel content using Riba when doing business, and everything is at a standstill. I pray that Allah accept my intentions, and if that mean that I will have to stay at a standstill may that be witness in favour of me in the hereafter.

Dr. Kahf if you have answers please

1. Do let me know if there is something I can do?
2. What your consulting fee for that advice is?

JAK

Wassalam

Momin

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Momin

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I don't charge for Fatwa. If we do some work together on consultancy basis I will then charge.

If you can convince your banker to do this it will be great. In an experience we had in Nashville the banks at the end backed up for a trivial reason, its accounting system does not accommodate the transaction.

This idea of partnership is one option as you mentioned it. It can work but the bank must be ready to take risk in it because you cannot guarantee principal or rate of profit.

Another idea that may be closer to the mind and practices of bankers is a line of credit based on Murabahah. Murabahah is a transaction considered by the Controller of Currency Administrator of National banks (a department of US Treasury that supervise national banks) as a normal banking business. It works as follows: the bank authorizes you to purchase for the bank a merchandise or service and then buy it from the bank at deferred payment and at a markup. On the due date you have to pay the marked up price. It can apply to buying goods and service but it is not good to paying fees. In Murabahah, you guarantee the principal and the profit (the mark up). It can work with the idea of a line of credit. The difference between conventional line of credit and Murabahah line of credit is that every transaction must have its due date and due date cannot be extended for an increment (strictly speaking Riba is an increment of a debt).

BTW, where are you in America? And did you think of working with a group of investors instead bank loans? It is another option that does not give you credit as much as a bank may give but it may work well with transparency and formal legality in its arrangement. It may be another option too.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

\*\*\*\*\*

## **Subject: Assignment and assumption of house finance contracts**

From: Hassan

Sent: Wednesday, November 04, 2009

### **Question: assuming a conventional loan in house buying**

Assalaamu Alaykum Br Dr. Kahf;

I read with interest your website. Thank you for providing such information. I am an investor in Real Estate, however, no amount of profit is worth the anger of Allah (swt) and so if possible, I respectfully request clarity about the soundness of the following transactions:

1. Can I purchase a property by taking ownership (deed) and agreeing to continue to make the monthly payments on the existing conventional (interest-bearing) mortgage?

Ex: Seller has a conventional mortgage on the property with some equity. I want to buy the property. I pay to the seller some money for his equity and continue to make his monthly payments on his mortgage. The mortgage will still remain in the seller's name and he will be responsible for it. I have no agreement with the lender - I simply continue to make whatever payment the seller was making until I sell the property or finish all payments.

2. Is it permissibility to transfer/assign my contractual rights for a profit to another party?

Ex: I am contracted to purchase a property from "A" for \$100,000. Can I transfer/assign my contractual position to "B"? "B" will now close the transaction with "A" for \$100,000 and pay me a fee for example \$2000.

I appreciate any insight you can provide.

Jazaka Allahu Khair for your assistance.

Hassan

### **My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salam ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Hassan

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

1. I am not sure if your description of this transaction can be implemented. How would you close on this property without assuming the loan toward the lender and transferring the mortgage to your name? Or would you keep the property in the name of seller and then what represents your interests? But assuming this is implementable exactly as described, it is permissible. A problem may arise if you decide to accelerate or make full or partial pre-payment. The practice in residential real estate is to reduce the principal for any acceleration or pre-payment, in this case what happens to your commitment of paying the gross installments (total of interest plus a part of principal). If you do not accelerate and do not make a prepayment, the transaction as described is permissible. On the other hand, assuming the loan and transferring the mortgage is a Riba transaction, a little lesser of an evil than initiating a new loan because one may look at it as assuming the debt of the seller as in the case of the question.

2. For an existing ready for delivery real estate property it is permissible to surrender the purchase contract for an increment, it amounts to a sale at a higher price. If the property is not ready to deliver a problem arises of selling what does not exist. Sale of what does not exist is not permissible, although one may contract the construction of a building with a contractor.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

\*\*\*\*\*