



Methods of Islamic Home Finance in the United States

- beneficial breakthroughs -

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Introduction: The domestic Islamic community in the United States is increasingly demonstrating the depth of its numbers. Unlike any other newly emerging community, a consistently large blockⁱ of Muslims seeks to regulate their affairs according to Islamic rules (*Sharia 'a*ⁱⁱ). This young and affluent populationⁱⁱⁱ has progressively investigated means to apply Islamic concepts to their financial lives, including the acquisition of homes. Despite their efforts, vendors seeking to meet these needs remain few and small. Such service bodies are still searching for the best tools to apply, how to use those applications within the existing real estate process. Prior to 1997, the absence of banking regulatory support meant that all US efforts to provide Islamic home finance had been ad hoc and capital constrained. To a lesser degree, they have had limited integration to either *Sharia 'a* scholarship or the international Islamic capital market. The pioneering regulatory interpretations obtained by the United Bank of Kuwait^{iv} (UBK) have begun to open both the door to scalable funding for Islamic finance in America, the development of securitization, including participation by the government sponsored entities^v. With a growing universe of real estate and finance professionals comforted by the regulatory change, the field has slowly opened up to solutions and problem solvers, domestic and foreign.

Regulatory Change: Although a major international bank worked with both a US mortgage bank and a key Islamic bank to structure an Islamic home finance program as early as 1993, no formal regulatory framework or authorization existed for such a program prior to 1997. Once the Office of the Comptroller of the Currency (OCC) granted authorization to UBK to take title to property for the purpose of facilitating an Islamic lease to own relationship, the ability to bring scale and order to the field of Islamic home finance was achieved. The OCC later also approved installment sales with the bank taking title to property as a banking instrument in 1999. Subsequently, the OCC granted an interpretive ruling to Key Corp. in 2000 for construction finance using a form of installment sales contract^{vi}. The rulings turn upon a series of common factors: First, the regulators examined the bank request and evaluated its similarity in risk and purpose to existing banking powers; Second, the regulators reviewed whether or not the interpretation would result in making banking more inclusive. What these changes mean is that any professional party, investor may now take comfort in the fact that the Islamic transactions have been reviewed and are safe enough for application by banks. This conclusion allows downstream (state or municipal) regulators, vendors and investors,



including banks and agencies, all to find it reasonable to examine engagement in the newly emergent product class.

US Legal Concerns: The conventional business of mortgage lending is highly efficient and regulated in the US. Since the 2008 Financial Crisis, mortgage finance has undergone more regulation for the purpose of consumer protection. Part and parcel of the formality in mortgage lending is the very strong culture of disclosure and consumer protection codified by the Congress and the various states, and enforced by various Federal and state departments as well as law enforcement. Thus, layered over the real estate process is a specific flow of paper and documentation that is designed to present to consumers the cost of financing, the terms of financing, and the overall timeliness of communication as well as quality.

Islamic Concerns: Like many regulators, Islamic jurists and scholars place a similar premium on disclosure and consumer protection. Several leading jurists were involved in different aspects of the development of the Committee for Islamic Home Finance contract, sponsored by the Samad Group, Inc. and applied by UBK in the US and UK. All were in agreement with the style and philosophy of US consumer disclosures and protections. In cases where the Islamic jurists objected to the words, which were required by law, the jurists were amenable to advising consumers of the purpose of the law and avoiding a controversy over matters that are non-contractual.

Islamic scholars, however, have a number of issues, which are significant to them when determining whether or not a contract complies with the rules of *Sharia'a*:

- ❑ **Single contract – no hybridization:** Most schools of Islamic jurisprudence do not allow the combining of more than one contract into a single contract. For instance, a contract of sale may not be combined with a lease contract. In the United States, under conventional law, it is possible to combine contracts.
- ❑ **A Promise is not equal to a Contract:** Most courts in the US will find a promise to have attributes of a contract. Islamic scholars, however, distinguish between the a promise (or an undertaking) and a contract. The result is that an Islamic financial relationship may be entered into in the US with a greater legal bond than if it were entered into in a purely Islamic environment.
- ❑ **Form and Asset Orientation:** Although the Islamic scholars are very concerned with the substance of a contract, their initial point of evaluation is the form. This has, in part, to do with the categorization of commercial contracts in Islamic legal analysis. The convergence between form and substance is that a for-profit financial transaction must involve an asset, not money.



- Hence, an installment contract to sell cars is permissible, but one to sell money is not. Both have similar substance to a loan, but different forms. But, for the *Sharia'a* the distinguishing substantial matter is the existence and sale of a non-monetary asset.
- **Property Taxes and Assessments:** Islamic rules require that the owner of property pay property taxes. In the case of leased property, the cost to the owner may be recovered in the rent, even as a form of supplemental or additional rent. In a US consumer transaction, the borrower or lease-to-own tenant is normally responsible for paying taxes. There is no regulatory barrier to structuring payments as mandated by the *Sharia'a*. However, if property taxes were paid under the lessor's name, the lessee would be forced to assume a significant tax burden otherwise not faced by the everyday consumer.
- **Casualty Insurance:** As with taxes and assessments, Islamic rules require that the owner of property pay the cost of casualty insurance. Flood, hazard and liability insurance have the same treatment in Islamic law and US custom. On the face of it, such insurance, in the absence of *takaful*^{vii} is contrary to *Sharia'a*. But, neither securitization, nor investment will occur without some form of protection of the property from various hazards, natural or man-made. The Islamic scholars have permitted conventional insurance in this circumstance on the basis of *darura* or necessity.

A separate insurance issue, just as was the case for property taxes, is that coverage for primary residences is typically much less expensive when contracted by the consumer. Hence, Muslim scholars have also permitted consumers to elect to obtain their own insurance. Thus, custom (*'urf*) along with public interest (*maslaha*) have influenced business styles of US Islamic organizations.
- **Escrow Accounts:** It is custom in the US to take supplemental or advance payments of taxes and insurance and place them in a segregated account. With scholarly forbearance, this custom has been tolerated for a number of Islamic home financiers.
- **Statutory Interest:** In a number of states both escrow accounts as well as certain pre-paid expenses must accrue interest. Typically, it accrues at a very low rate. The ruling of the Islamic jurists is that the Islamic consumer must donate this to charity with no personal benefit. Therefore, the consumer may not count the donation as either *zakat* or *sadaqat*^{viii}.
- **Private Mortgage Insurance:** Payment for guaranties of payment is unacceptable to *Sharia'a* scholars^{ix}. Hence private mortgage insurance as is frequently imposed upon higher risk or small down payment borrowers is not acceptable. But, the establishment of reserves or the determination of a non-Muslim investor to insure itself are different matters. Likewise, embedded mortgage insurance, in which the



consumer does not directly contract, but pays the premium as part of the house price (the seller or bank intermediary then pays the mortgage insurer) is increasingly accepted by Islamic scholars.

- ❑ **Real Property Sales Contracts:** The nature of many Islamic contracts means that instead of a consumer to consumer sales contract subject to financing, there is a consumer/seller to financier/investor sales contract. This is non-standard.
- ❑ **Notes:** In US practice, a standard real estate loan note is assignable allowing a transfer of the right to receive payment. In the *Sharia'a*, the buying or selling of rights to payment are not normally permitted, as it is akin to the buying and selling of debts. Hence, the creation of notes that represent participation in the ownership of property and with it the right to a payment of rent is permissible as *sakk al ijara*^x. Such activity is not yet well developed in the US and there is evolving awareness of and attention to this issue among Islamic jurists working on US financial issues.
- ❑ **Mortgages:** There is no objection in the *Sharia'a* to the granting of a mortgage or deed of trust to secure a creditor or investor in their rights. Clearly, the language of such documents must flow with the underlying *Sharia'a* compliant agreements and procedures.
- ❑ **Late Payments:** The concept of penalty interest is forbidden in the *Sharia'a* as identical to the forbidden *riba*^{xi}. But, the scholars have permitted that financiers and lessors, or their contracted agents, may charge a flat fee commensurate with their costs of collection. There may not be any compounding of the fee: it is assessable one time per instance of tardiness.
- ❑ **Rent:** The payment of money for the use of real or personal property is permissible. The rate or basis for the rent should be freely negotiated in a manner that is transparent to both lessor and lessee.

By God's grace, these and many other considerations have been addressed by a number of organizations, and tens of thousands of Muslim Americans now enjoy an Islamically permissible contract whereby they occupy or acquire their homes.

Successful Experiments: If the best conclusions are drawn from a number of experiments, then the numbers of Muslims benefiting from Islamic home acquisition-programs will increase exponentially from the tens to the hundreds of thousands.

- ❑ **Al Manzil:** From May 1998, UBK's New York Branch offered an *ijara muntahiyya bi tamleek* (IMBT) product in the US and UK^{xii}. The US program was focused on California with some activity in other states. The program was built on UBK's path-finding first regulatory approval for an Islamic concept to be used as a banking



product. UBK's most significant achievement was the presentation of the Islamic contract and concepts to a wide array of real estate service vendors and convincing them that the Islamic concepts fit into or alongside the conventional real estate sales process. As a result, most US title insurance and casualty insurance underwriters have at least a rudimentary understanding of Islamic contracts and a willingness to underwrite the relevant risks.

- ❑ **CAIR Minnesota:** In 2000, the Council on American Islamic Relations (CAIR) through its branch office in Minneapolis highlighted the plight of Somali refugees in that city to the County of Hennepin, the local branches of Fannie Mae and the Department of Housing and Urban Development (HUD). The local Somali refugees were rapidly integrating into the economy, losing their qualification for subsidized housing. But, their family sizes meant that they could not find suitable non-subsidized rental housing; and, the community was not willing to pay interest to buy houses in a subsidized lending program. CAIR worked with HUD, Fannie Mae, the State and County to structure an installment sales project whereby the county sold tax foreclosed houses to Somalis and others. The contract was reviewed and approved by eminent scholars of Islam residing in the US and Qatar. The benefit of this project has been to bring *Sharia'a* concepts and the needs of Muslim Americans together in a positive light to the attention of the highest levels of the American mortgage industry and its regulators.
- ❑ **LaRiba:** American Finance House long ran a localized home finance boutique. LaRiba claims to use a form of IBMT. In February 2001, LaRiba began selling portfolios to Freddie Mac via its cash window. This fits into a project at Freddie Mac to expand homeownership where it is lowest^{xiii}. The meaning for the Islamic community is that there was finally a buyer or buyers for Islamic-stylized instruments that are underwritten to 'conforming' standards. This development proved to be a significant impetus to open Islamic finance to the secondary market.
- ❑ **Guidance:** Guidance Residential, LLC has become the largest provider of Islamic home finance using a declining balance partnership program. Although the FDIC does not allow licensed deposit takers to use the *Musharaka* product, Freddie Mac is able to buy the *Musharaka* units. They have managed to originate nearly \$4 billion in financing through their *musharaka* program.
- ❑ **SHAPE® Financial Corp.:** Our company has developed a securitization friendly version of the IMBT concept and delivers this through banks and credit unions. SHAPE® has also developed an installment credit product which is similarly delivered through banks and credit unions.
- ❑ **University Bank:** University Islamic Financial Corp. (UIFC), a subsidiary of University Bank, and the first such Islamic Banking subsidiary in the US has probably the widest array of products available of its competitors. It started out

offering only IMBT, but has slowly grown to include the only FDIC insured profit sharing deposit (which it offers through its parent, University Bank), as well as an *agency murabaha* program.

- ❑ **Devon Bank:** Devon Bank also offers an IMBT and a *murabaha* program for consumers and businesses. Like University Bank in Michigan, Illinois based Devon operates under a state charter.

Methods & Structures: Four processes have been utilized to assist Muslim Americans to acquire their homes in a manner consistent with *Sharia'a*. Only two have been applied in a manner to achieve significant scale. Each has a merit or attraction to sub-segments of the Islamic community. Only a few have clear adaptability to the real estate sales process as linked to the banking and securities markets.

Murabaha: Literally, this means a profitable sale and is also called *bai bi thaman al ajil* meaning deferred payment sale. This is essentially an installment sales contract for real property. Of all Islamic approaches to the question of leveraged home acquisition or investor funded home acquisition, this is the method, which is most consistent with the standard real estate processes. For security purposes, there is no objection to issue a non-negotiable note and mortgage. In all forms of *murabaha*, it is customary for the consumer to make some form of down payment. The general concept is permitted for use by banks with title transferred from seller to bank to consumer at the initial closing or a later date as agreed (Diagram 1).

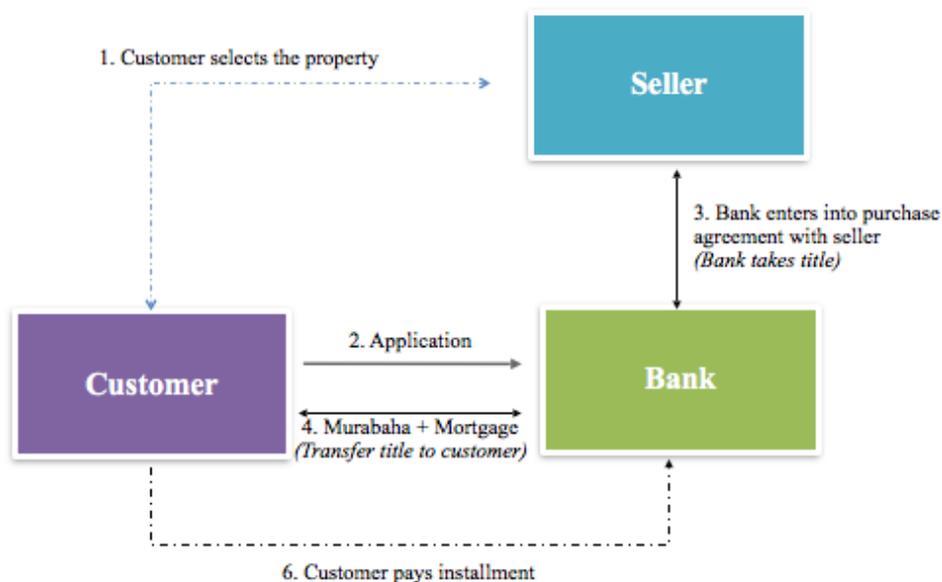
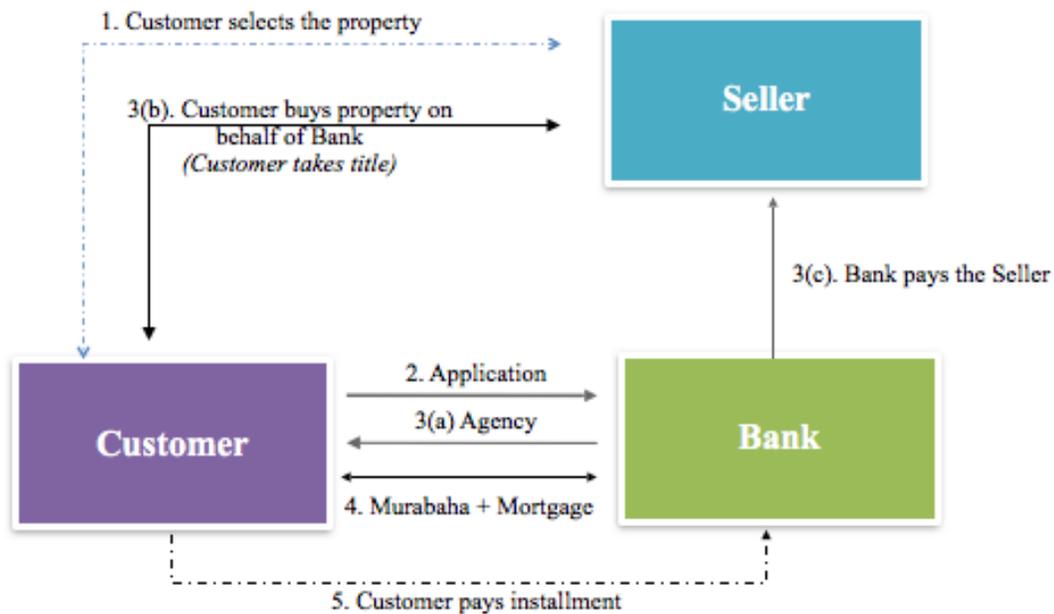


Diagram 1: Murabaha Home Finance

A strength of *murabaha* is that the consumer may deduct the payments over the base cost of the property as interest for tax purposes. A significant weakness is that the consensus of the Islamic scholars is that debts should not be traded or sold at discounts or premia. This latter point would make a structured securitization of the Islamic notes issued under a *murabaha* program impermissible according to *Sharia'a* as opposed to US codes which would permit it. In this process, the investor profits from a mutually agreed mark-up over its basis, and the consumer pays installments on a fixed schedule.

Agency Sale: Termed in Arabic as *bai al wakala* this concept has been applied in the UK, and the US. Ideally, it should proceed in a manner identical to the general concept of *murabaha*, except that either the consumer or the investor might not come into the chain of title, as one acts as an agent for the other. The use of agency has allowed *murabaha* to fit into the secondary market process, and Agency *Murabaha* is now the second largest means to support Islamic home finance in the US.

Diagram 2: Agency Murabaha for Home Finance



Land Contract: This is in essence the CAIR Minnesota program. A local law land contract in the US provides for the owner to sell property directly to the consumer and act, effectively, as the financier by extending the consumer terms, essentially a *murabaha* contract. The normal implementation of this concept is informal. Although the OCC has permitted banks to become holders of title and sellers of property for the purpose of engaging in a land contract^{xiv}, the process is too cumbersome and the direct risk of liability too high to make this a desirable mass market program to be offered by a bank or funded by the government sponsored entities.

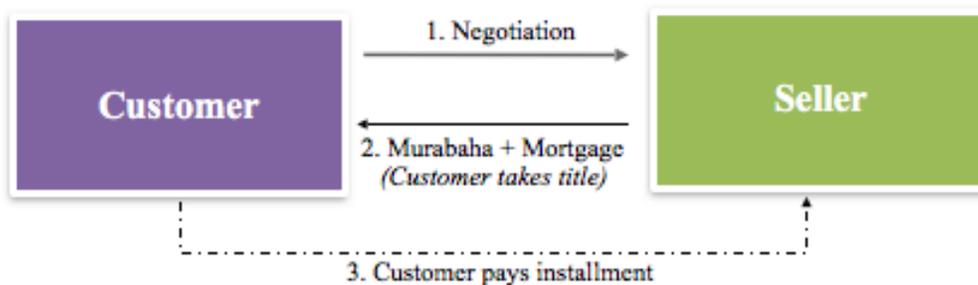


Diagram 3: Land Contract

Ijara Muntahiyya bi Tamleek: It translates as ‘leasing ending in ownership’ or ‘lease to own’ or ‘redeemable lease’ and is some times known as ‘leasing and acquisition’ *ijara wa iqtina*. The United Bank of Kuwait and University Bank, as well as others, have applied this concept. SHAPE® through its client University Bank (Michigan), The United Bank of Kuwait (formerly in New York), Devon Bank (Illinois) and Bank of Whittier / LaRiba (California and Texas) as well as others have applied this concept. It has a history in the US of informal application as well as program application dating to the 1920’s.

In this transaction, the consumer selects a property and the investor buys it. The investor engages in an operating lease of real property with the consumer. Typically, the means of holding the property is a trust or a limited liability company. The consumer promises to buy the property. The consumer pays rent, which covers ownership costs, profits and the investor’s basis in the property. In some cases, the consumer contributes to a savings fund, which is structured to accrete to a level allowing the consumer to buyout the estate from the investor. Either the consumer pays a large initial rent or the savings fund is initiated with a large initial payment similar to a conventional down payment. The concept also allows for the issuance of a note or mortgage as a form of security to the investor.

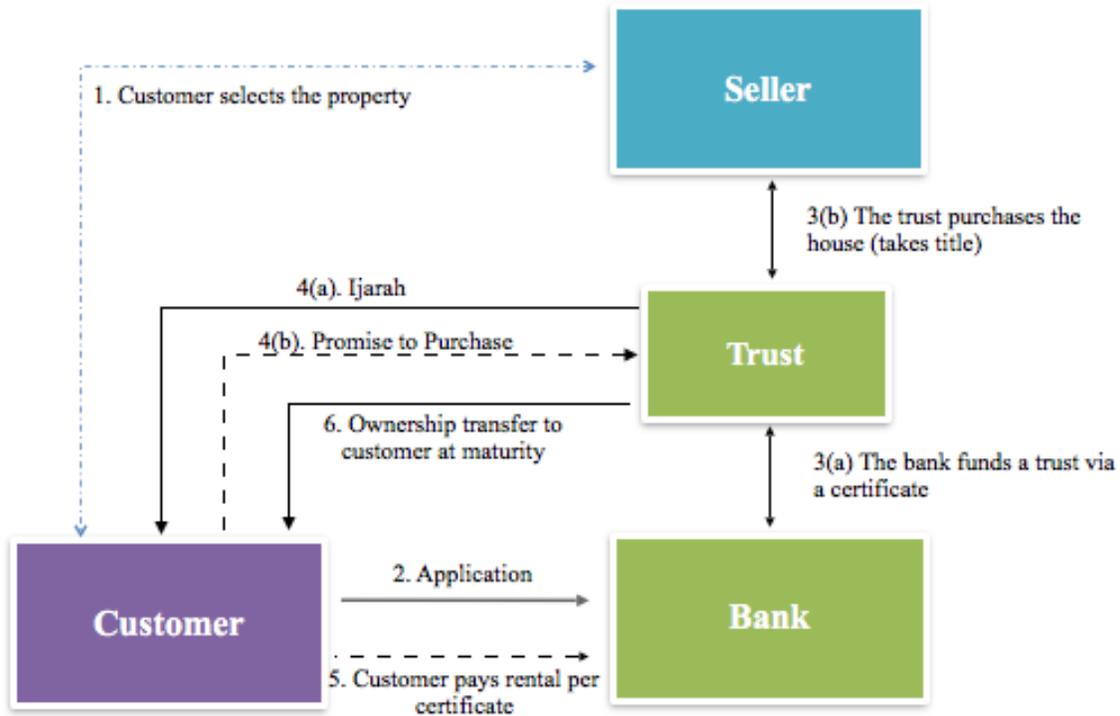


Diagram 4: Ijarah Home Finance

The concept requires a modest modification to the real estate process to allow the investor or bank to take the place of the consumer in the purchase contract. The strengths of this approach is that the *Sharia'a* scholars are comfortable with the securitization of leased assets to a variety of investors. In the case of securitization, the document representing an ownership interest in the property is the primary tool and it may be secured by a mortgage or deed of trust if required.

A weakness is that tax deductibility is likely, but not explicit. Generally, the tax deductibility is supported by the OCC authorization and the fact that other non-standard forms of finance receive the deduction. Since the late 1990's, residential *ijara* transactions have enjoyed the tax deductibility.

Another issue which is not tested in this emerging area is to what degree the landlord – tenant issues like rent control or eviction rights—which may be fixed by state and local laws—may apply to this transaction as a lease distinct from a means to acquire a home. To now, these issues have been viewed as subordinate to the interpretation of this process

as a financing. Generally, the applications and opportunities for this concept appear to be very broad given the regulatory approvals and growing application of the process. In this process, the investor profits from the consumer’s rental payments for use of the property, and the consumer makes monthly payments on account to buy out the investor’s estate according to a pre-agreed schedule.

Declining Balance Partnership/Shared Equity: This concept may variably be structured as a *mudaraba* – limited partnership - or *musharaka* – joint venture – according to *Sharia’a* concept and terminology. A number of businesses and cooperatives have applied the basic concept in the US, including a mortgage brokerage company that has had great success with it.

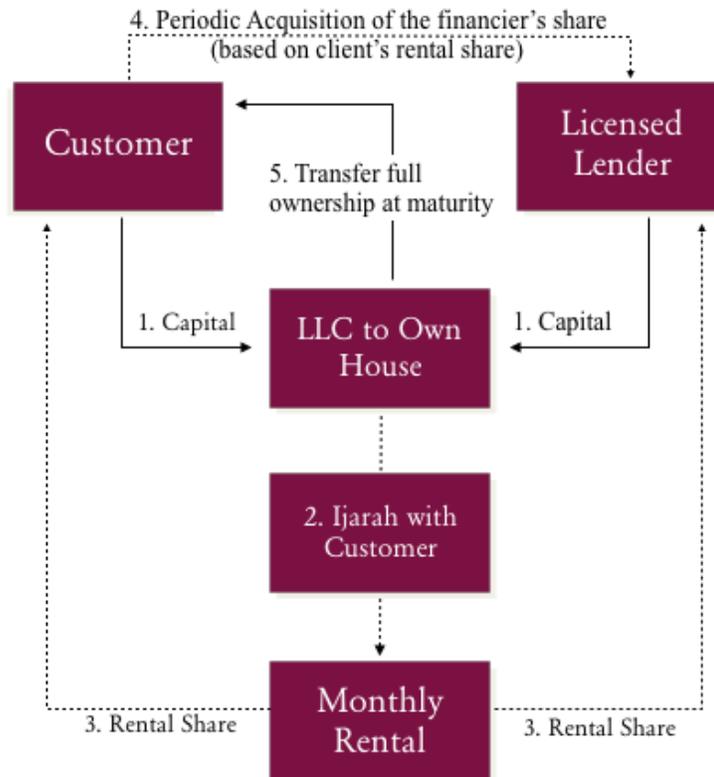


Diagram 5: Declining Balance Partnership

In essence a corporate entity or partnership buys a property in partnership with the consumer, and the consumer rents the non-owned portion of the property from the entity with which he or she is a partner. The portion of the consumer’s payments that is tantamount to mortgage amortization is used to increase the consumer’s share in the owning entity until such as time as the consumer has bought out the investor. A number



of businesses and cooperatives have applied the basic concept in the US. In essence, a corporate entity or partnership buys a property and the consumer rents it from the entity in which he or she is a partner. The portion of the consumer's payments that is tantamount to mortgage amortization is used to increase the consumer's share in the owning entity until such as time as the consumer has bought out the investor. Such projects have had trouble fitting in the real estate process, particularly among the title insurance^{xv} companies. The prior process issues may reflect presentation and organization, and have generally been overcome such that Guidance is the largest Islamic home finance provider in the US.

Although many consumers feel that this is the most Islamically pure method, cooperatives have struggled to fit such concepts into the real estate process. Moreover, the US banking regulators have been loath to consider such transactions as permissible for banks. Nonetheless, Guidance Financial, a non-bank finance company, has successfully fit their product into the real estate and secondary market process in order to become the largest Islamic home finance provider in the US.

There is an alternative vision of the declining balance equity model in which the consumer pays his partner for the sole right of disposition, and pays taxes and insurance in exchange for exclusive occupancy. In this version, the payments are implicit rent, but there is no lease and no rent. Rather there is a partition of rights and payments are made by the party acquiring specific rights during the life of the partnership.

Istisna'a: This term means 'manufacturing' and is applied for construction finance. Although Key Bank has secured a regulatory approval for this concept and is believed to have applied it to commercial property^{xvi}, it has not formally been used for funding the construction of primary residences in the US. In this process, the consumer asks the bank to fund construction of a house. The bank engages either a builder or the consumer to build with the bank's funds the desired structure on property that either consumer or the bank has purchased.

There are two unique exit strategies. The first places the burden of construction risk on the bank and awaits completion prior to the next step. Upon completion of the development, there may be an outright cash sale, a *murabaha* sale, an IMBT process or a declining balance partnership. There is no reason to believe that this would fit into the real estate process any differently than with IMBT. In this transaction, the consumer pays a premium to the bank's basis in the property.

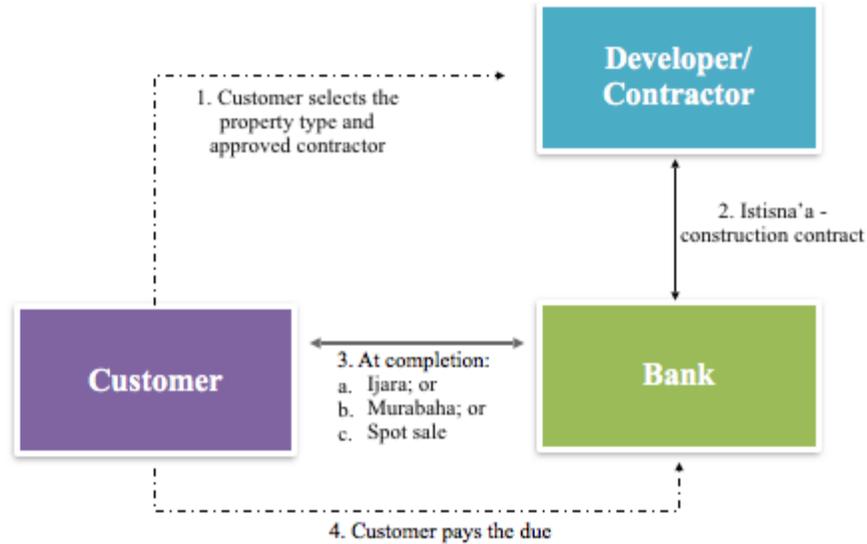


Diagram 6: Istisna'a - Option I

The second exit structures the bank's credit relationship simultaneous to execution of the istisna'a contract. In this approach, the bank enters into istisna'a with the customer; This makes it the customer's duty to build the house, deal with the contractor and produce a house for the bank (or an intermediary entity's ownership). The customer will also enter into *ijara mawsoofa bi zhimma* (IMBZ) with the bank to lease the as yet built house from the bank. This allows the bank to collect periodic payments from the customer during construction and binds the customer to occupancy upon completion. When the property receives its certificate of occupancy, the IMBZ converts into IMBT with no new or additional documentation. Although widely used in the global markets, the method has not been used in the US market.

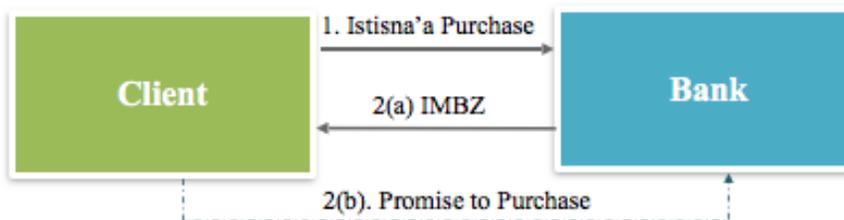


Diagram 7: Istisna'a + IMBZ



Securitization: The securitization process provides liquidity to an industry or company allowing it to expand its business. The success of the American home finance industry in expanding homeownership to more than 65% of the population is built upon securitization. This is the process of turning an obligation or an asset into an instrument with transferable ownership between investors. In a standard mortgage, the note, representing the obligation to pay principal and interest, is the securitized document. The mortgage securitization business has been buttressed by the involvement of the two government sponsored entities Fannie Mae and Freddie Mac.

In an Islamically permissible securitization, the ownership of an asset is effectively what is cut into pieces and distributed in a manner similar to shares in a mutual fund. This is distinct from non-permissible securitization of a mere cash flows whereby investors might purchase shares of interest, principal, or both together. Since the early 2000's, Freddie Mac has started to securitize both an *agency murabaha* and a declining balance partnership processes. In the *murabaha*, the relationships between the parties are viewed as consistent with a Wakala granted to the banks to originate murabaha transactions on Freddie Mac's behalf and the contracts along with a securing mortgage are delivered to Freddie Mac. In the declining balance partnership, the payment obligations of the customer have been structured into a note and delivered to Freddie Mac along with a security instrument to secure the note. The declining balance partnership note represents an aspect of property ownership, which makes the sale permissible from the Islamic perspective.

Prospective Developments: Perhaps the greatest issues for the Islamic mortgage alternative process are double transfer taxation, income tax deductibility, and homestead issues.

In the aforementioned programs, where a consumer is to receive the property from the financier or third party, the consumer would be obliged to pay a second transfer tax for title to move it from such entity. It is a second tax as the consumer would have reimbursed the financier for the costs of the initial transfer tax when the property was acquired. One workaround for this problem is for the second transfer of title to be via a Quit Claim Deed, on which no transfer taxes are paid, though some may argue that the end buyer is not granted the same assurance as would be with a Warranty Deed which is normally issued during a sale. Such taxes are local and no other uniform or legislative approach exists to reduce this prospective burden.

To date, many of the lease to own programs have documented the mortgage interest deduction and the consumers have taken it without challenge from the tax authorities. Nonetheless no ruling exists to make this decision secure. Secondly, although favorable



legal opinions have been obtained on the issue of homestead for lessees promising to buy, no formal rulings have been issued on this either.

Whether or not these problems are solved, it is already clear that new players intend to enter the US market for Islamic home finance. Their participation is expected to be invigorating, bringing liquidity, ideas and greater coverage to the market.

With new players and a growing market, we may expect new instruments. Perhaps these will be derived from existing instruments marking refinements and improvements. Or, they will represent original thinking along the same concept lines. Or, maybe concepts not yet well developed elsewhere will find an expression in the home acquisition finance market for Muslims in America.

Conclusions: In the mid 1980's a small number of Muslims dreamt of implementing the means for Muslims to live free of *riba*. Over the next 15 years, experiments were performed and much regulatory work has been completed. Securitization of Islamic home finance instruments has expanded the market significantly. The result is a new infrastructure to support multiple solutions in the residential real estate market for the disparate tastes and interpretations of the Muslim market. As multiple investors contemplate entering the market, the young, growing and affluent population of Muslim Americans shall find it much easier in coming years to live in conformity with their religious values.

Earlier versions of this chapter was posted at www.ajif.org (now defunct), as well as on the Dow Jones Islamic Markets website <http://www.djindexes.com/jsp/islamicmarket.jsp?sideMenu=true> and has been posted at www.islamiq.com in serial form.



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A growing library of material may be acquired from the Islamic Research & Training Institute of the Islamic Development bank at <http://www.irtipms.org/PubAllE.asp>.

*Abdulkader has over 30 years of diversified financial services experience. A graduate of the Fletcher School of Law & Diplomacy in international trade, Abdulkader earned a BA with honors in Arabic & Islamic Studies from the University of Chicago. Based in Kuwait, Abdulkader has worked in Bahrain, New York, London, Washington, D.C., and Los Angeles. His areas of activity have included trade finance, real estate finance, securities, and Islamic finance at Citibank, Credit Lyonnais, Sumitomo Bank, Ltd., The United Bank of Kuwait, and Guidance Financial Group. Abdulkader serves as a technical expert on the *Sharia'a* Boards of Bank Muscat Meethaq (Oman), Sterling Bank PLC (Nigeria), and University Bank (USA).

Abdulkader is responsible for shepherding the first US banking regulatory approvals of Islamic financial instruments for *ijara muntahia* and *murabaha*. Abdulkader also secured regulatory approval for an Islamic profit sharing deposit to be applied in the US under FDIC regulation. Abdulkader also structured the first REIT of REITs structured to allow Muslims to invest in listed US REITs whilst complying with *Sharia'a*. Abdulkader has also been involved in the structuring of inbound foreign investment for the US, Europe, and the UK. Abdulkader has supervised marketing and consumer demographics in conjunction with new business launches.

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Mr. Mushir Khwaja, formerly a Research Analyst with SHAPE® Financial Corp. and Mrs. Shabnam Mokhtar, contributed to this analysis.

ⁱ Over the past twenty years, AJIF, First Takaful, UBK, CAIR and Failaka surveys coalesced around 25% core consumer base seeking Islamic products with a similar number open to conversion to Islamic products based upon competitiveness and clarity of presentation.

ⁱⁱ *Sharia'a* technically is Islamic law, but in the context of a Muslim minority like the US community, it is more a consumer elected restriction. For service providers, it is an additional layer of compliance. Rather than allowing what local laws and regulations forbid, the *Sharia'a* is almost uniformly more restrictive.

ⁱⁱⁱ Same surveys as in note one.

^{iv} The United Bank of Kuwait, PLC secured the following interpretations to engage in Islamic transactions as banking transactions. Interpretive Letter of October 17, 1997 No. 806 from the Northeastern District of the Comptroller of the Currency Administrator of National Banks governs *ijara* and Interpretive Letter of June 1, 1999 No. 867 governs *murabaha*. Both letters respectively are posted at the Comptroller's website <http://www.occ.treas.gov/interp/dec97/intdec97.htm> and <http://www.occ.treas.gov/interp/nov99/int867.pdf>.

^v The "government sponsored entities" (GSE) are Fannie Mae and Freddie Mac.

^{vi} With the exception of a private letter ruling for profit sharing deposits in 2002, there have been no new Federal rulings for Islamic finance.

^{vii} Mutual insurance structured to comply with *Sharia'a*.



^{viii} *Zakat*, literally ‘the purifying dues’, is the mandatory wealth tax that Muslims pay, equivalent to 2.5% of assets above a minimum threshold. *Sadaqat*, literally ‘the righteous dues’, is a voluntary contribution to charity.

^{ix} Maliki scholars allow the selling of a guarantee as they allow the sale of “obligations”. When funded, however, the resulting “loan” cannot accrue interest or attract a payment.

^x Literally ‘lease paper’ or lease participation certificate. The Arabic word *sukk* is the root word of the English word ‘check’.

^{xi} *Riba* is the forbidden profit mentioned in the Holy *Quran* that is most like interest in a conventional loan of money.

^{xii} The product was licensed from CIHF Partners, a domestic US partnership.

^{xiii} Muslims according to various surveys have a homeownership level of less than 60% compared to the US average of 69%.

^{xiv} In a matter unrelated to Islamic transactions, the National Bank of Michigan secured OCC permission to enter into land contracts as a means to facilitate certain municipal finance transactions in the State of Michigan where there are specific borrowing limitations, but not purchase on credit restrictions.

^{xv} Title insurance is a third party guaranty of clean title and transmission thereof to the buyer of a property.

^{xvi} In 2013, JP Morgan Chase syndicated a large commercial *istisna’a* for a Qatar group investing in a Washington, D.C. project.