

IJARA™ Frequently Asked Questions

Question: Are IJARA™ programs open only to Muslims?

IJARA™: IJARA™ programs are meant to provide a financial advantage to any consumer. SAMAD and its partners are committed to Islamic values and *Sharia'a*, and believe that these are beneficial to all.

Question: Is it ok to simply accept someone's assertion that a method or contract is *Sharia'a* compliant?

IJARA™: This is an important point. We recommend that you look to the *Sharia'a* scholars who have an expertise in financial and commercial transactions. For instance, does your provider of an Islamic service have a *fatwa* or relevant supporting opinions? Can your provider point you in the direction of a knowledgeable resource person or text, someone or a resource that you may approach in person, by mail, or online?

Question: I still have questions after reading this or other IJARA™ related literature, may either I or my lawyer see your documents in order to be more clear about the system that makes our contract *halal*?

IJARA™: If after reading these answers, you wish to read the primary documents, on an individual basis, we will send a Non-Disclosure Agreement, for your signature and then forward a file to you. The purpose is that the document is solely for your review and not to be given to third parties, banks, people who might wish to go into this business, competitors, or dealt with in a way that would accidentally allow these types of people to acquire our proprietary material without making the research and expense that we have, let alone share our concern for *Sharia'a* compliance.

Question: How can we tell whether a company has a valid *fatwa*?

IJARA™: You should seek a copy, which will have the names of the approving scholars and their signatures. If they are unknown to you, you should be able to verify their relevant training and capacity to opine on various matters relating to Islam and commerce.

Question: How can we know if the scholars providing the *fatwa* are qualified to do so?

IJARA™: Certain scholars are well known and their certificates or *ijazas* are publicized. Others may be qualified, but less well known, ask for their bio-data, *ijazas*, or other information that will help you to have comfort in their opinions.

IJARA™ (Mortgage Alternatives)

Question: Most people who have low down payments need something called private mortgage insurance. How do you deal with this?

IJARA™: The IJARA™ mortgage alternative does not use standard PMI. Yet, no investors will support either traditional mortgages or mortgage alternatives without some form of support. Therefore, certain IJARA™ providers have structured an approach that complies with *Sharia'a* in the consumer transaction and provides the protection that investors require. In some cases, the financing shall be structured in such a manner as to avoid PMI.

Question: What do I do about the interest that state laws require to be paid to me on certain accounts including escrow accounts?

IJARA™: IJARA™ providers are obliged by law to make these payments to you. The consensus of the scholars is that you should pay such interest earned to charity, but it will not count as either *zakat* or *sadaqat*.

Question: What is rent based on in a IJARA™ transaction?

IJARA™: Each IJARA™ provider has a different approach to this issue and some may offer you more than one way of doing it. The general *Sharia'a* principle is that rent rates should be mutually agreed by both parties. In some cases, the provider may use a standard interest oriented benchmark. At this time, the consensus of the *Sharia'a* scholars is that such benchmarking is not ideal, but it does not affect the basis of the transaction.

Question: What happens if I do not make my payments on time?

IJARA™: You will be charged the cost of collection. We currently work with a company called Ijara Payment Processing, Inc. to manage the completed IJARA™ acquisitions. They bill \$50.00 as their cost of collection. Any excess over the cost of collection will be donated to charity.

Question: What is the minimum down payment in the IJARA™ program?

IJARA™: The minimum down payment, which we call the *initial payment on account* because of the structure of the IJARA™ program, is 5%. In some cases, 0% is possible, but in all cases where the down payment is less than 20%, the consumer will sign an agreement that cancels the sharing of any loss by the Ijara™ provider.

Question: May I use down payment assistance programs?

IJARA™: IJARA™ providers currently permit the use of various down payment assistance programs so long as you come up with at least 3% of the cash to fund your initial payment on account.

Question: Do your providers refinance existing mortgages?

IJARA™: The IJARA™ process may be used to replace an existing mortgage.

Question: Some people say that in both the Islamic and the traditional mortgage systems, payment of the house is made based on the future value of the house brought down to the present day plus a rent for staying in that house...nobody will let you stay in the house for free.

IJARA™: This is not correct. In the traditional mortgage system, interest is the "rent" of money and is paid for a loan of money with which you buy a house or refinance an existing loan. There is no rent of the house as you own the house. In two of the *Sharia'a* methods, you rent a house and the lease payment represents your enjoyment of real property.

Question: Isn't the Islamic system's name for interest is rent? Aren't you just changing the word *interest* to *profit* or *rent*?

IJARA™: There are three acceptable approaches to home acquisition in Islam. One is a sale, one is rent to own (the IJARA™ method) and one is partnership (with property rental as part of the deal). The rent paid is explicitly for the use of property. Or in the sales case, the profit is a mark-up on a base sales price. *Riba*, however, is the payment of money for the use of money over time, and this is very similar to the concept of interest in a traditional mortgage loan. An accountant may argue that rent in the latter two and profit in the former is interest, but in none of these cases is it *riba*. Some may argue that anything that may be perceived as generating a benefit from the passage of time has interest in it. The *Sharia'a* scholars have not defined *riba* in this way, rather *riba* necessarily relates to loans of money or exchanges of money like commodities when they are used as money.

Question: Isn't the Islamic system of purchasing houses the same thing, the same mechanics, as the traditional mortgage system only with different labeling?

IJARA™: This too is inaccurate. The process of qualifying a consumer and disclosing costs and risks to a consumer is the same as the mortgage system. This process is regulated by federal and state statutes in the United States. Hence, the paperwork is the same or very similar prior to and after making the acquisition, but not the acquisition itself.

The acquisition mechanics are fundamentally different and create all of the same rights and obligations as in a traditional mortgage. Hence, it is not a question of labeling, but of actual structure.

Question: Someone told me that the papers one signs to apply for and process a purchase with a mortgage alternative are the same as in the traditional mortgage system, why?

IJARA™: The documents that one signs, which should normally be customized to reflect the facts of a IJARA™ or other mortgage alternative, including the application, disclosures, and post closing disclosure documents are mostly governed by federal and state rules. Generally, the government wishes to assure that you are fully aware of the details of a transaction and can compare it to other transactions of a similar nature. These materials do not constitute the contract that binds you, the house and the bank or other parties involved.

Question: How does a IJARA™ replacement compare to a standard mortgage refinancing?

IJARA™: Generally, the nature of a replacement is distinct from a refinancing, and the title will transfer from a current borrower owner to a trust which will own the home for the benefit of the new investor.

Question: What happens if I am short of cash for closing costs?

IJARA™: Depending upon the investment for which you qualified, amounts, other than the 5% of the expected final purchase value may be structured into the value of the Promise to Purchase.