

# **ISLAMIC FINANCING, INVESTING AND BANKING IN AMERICA**

## **HISTORY, CURRENT SITUATION AND CHALLENGES**

**ISNA**

**Islamic Banking & Finance 2000**

**July 15, 2000 Long Beach, Ca**

# **ISLAMIC FINANCE IN AMERICA**

## ***THE VISION***

- HELP MUSLIMS LIVE IN AMERICA WITHOUT *RIBA*, AND SERVE ALL AMERICANS OF ALL BACKGROUNDS.**
- BUILD FINANCIAL INSTITUTIONS THAT BIND THE COMMUNITY TOGETHER BY OFFERING INVESTMENT AND FINANCING SERVICES AS A TOOL OF PUTTING LIFE IN ISLAMIC VALUES, WAYS & MEANS.**

# **ISLAMIC FINANCING, INVESTING & BANKING IN AMERICA**

## ***THE MISSION***

**BUILD AN ISLAMIC FINANCE, BANKING &  
INVESTMENTS SYSTEM IN A WORLD  
RUNNING AND OPERATING BY *RIBA***

# **ISLAMIC FINANCING IN AMERICA**

## **FINANCING HISTORY**

- 1986 / 1987 : MSI and American Finance House  
LARIBA in California, BMI in New Jersey
- 1988 - Albaraka Bancorp in California
- 1996 - Harvard Islamic Finance Program, HIFIP
- 1997 / 1998 United Bank of Kuwait ALMANZIL
- Other Smaller Institutions in Leasing

## **ISLAMIC FINANCE IN AMERICA**

- **FINANCING & INVESTING:**

- **Financing: Homes, Construction, Leases for Cars & Equipment**
- **Investing: Only Limited to Accredited Investors & Use of a Limited Partnership Format**

## **ISLAMIC FINANCE IN AMERICA**

- **THE MARKET: *Home Financing***

- ***Population Estimates: 6 to 8 million. Largest Population Concentration in California, New Jersey, New York, Michigan and Illinois.***
- ***Estimated Demand: 10,000 Households for Mortgages or about \$ 1000 Million***

## **ISLAMIC FINANCE IN AMERICA**

- **THE MARKET – *AUTOS, EQUIPMENT & SMALL BUSINESS***
  - *AUTO LEASES*: At Least 10,000 Automobiles per year or Approximately \$200 Million
  - *EQUIPMENT LEASES*: At Least 500 Units in the Fields of Medical & Dental Services and Franchise Fast Foods or Approx. \$ 100 Million
  - *SMALL BUSINESS*

## **ISLAMIC INVESTING IN AMERICA**

### **INVESTMENTS**

- 1986 & 1994 STOCK MARKET INVESTMENTS – AMANA FUNDS BY ISNA/NAIT -
- 1986 – 1987 ACCREDITED INVESTORS AT MSI & AMERICAN FINANCE HOUSE - LARIBA
- 1998 - THE DOW JONES ISLAMIC INDEX
- 1998 - THE INTERNATIONAL INVESTOR

# **ISLAMIC FINANCING & INVESTING IN AMERICA**

## **RIBA FINANCIAL SERVICES IN AMERICA**

- **Huge Capital Availability.**
- **Highly Regulated Banking Industry.**
- **Highly Liquid Market for Loans that Comply with Government Standards.**
- **Mature, Government Sponsored, Highly Competitive, Sophisticated and Innovative.**
- **Layers of Government Regulatory Rules & Supervision.**
- **Intricate Tax Laws.**

# **ISLAMIC FINANCING, INVESTING & BANKING IN AMERICA**

## **CHALLENGES**

### **1. CAPITAL**

- **Ability to Own A Depository Institution**
- **Ability to Securitize The Loans**
- **Ability to Raise Funds from The Public**

# **ISLAMIC FINANCING, INVESTING & BANKING IN AMERICA**

## **CHALLENGES**

### **2. THE AMERICAN VALUE OF SEPARATION OF STATE & CHURCH**

# **ISLAMIC FINANCING, INVESTING & BANKING IN AMERICA**

## **CHALLENGES**

### **3. DEVELOP SHARI'AA RULES THAT TAKE IN CONSIDERATION THE TAX SYSTEM AND REGULATORY & LEGAL RULES IN THE AMERICAN FINANCIAL AND BANKING SYSTEM**

# ISLAMIC FINANCING, INVESTING & BANKING IN AMERICA

## CHALLENGES

### 4. THE HUMAN FACTOR

- STEREOTYPING
- SUSPICIONS ABOUT A RELATIVELY NEW RELIGIOUS GROUP IN AMERICA
- UNFORTUNATE INTERNATIONAL EVENTS TIED TO ISLAM & MUSLIMS
- TRUST BY FELLOW MUSLIMS IN THE COMMUNITY

# THE CHALLENGES OF OFFERING ISLAMIC FINANCIAL SERVICES IN AMERICA

## RECOMMENDATIONS

### USE THE INTERNATIONAL BANKING TERMINOLOGY

- MURABAHA – *COST-PLUS-FINANCING*
- MUSHARAKA – *JOINT VENTURE*
- IJARA – *LEASING*
- IJARA WA IQTINAA – *LEASE-TO-PURCHASE*

# **THE CHALLENGES OF OFFERING ISLAMIC FINANCIAL SERVICES IN AMERICA**

## ***RECOMMENDATIONS***

- **INTENSIVE FAMILIARIZATION & EDUCATION PROGRAMS TO TEACH THE REGULATORS, THE BANKERS & THE PUBLIC AT LARGE**
- **PATIENCE, HUMBLENESS & LOW KEY**

## **WHAT IS ISLAMIC BANKING?**

### ***CREDIT IS A BASIC HUMAN RIGHT***

- **Socially Responsible Ethical Banking**
- **Asset-Based Financing**
- **A Commodity, Tangible Asset &/or Service Must Change Hands**
- **Investments in Specific Activities**
- **Community Development**